

Carube Copper Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended August 31, 2019 and 2018

(expressed in Canadian dollars)



Independent auditor's report

To the Shareholders of Carube Copper Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Carube Copper Corp. and its subsidiaries (together, 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 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 August 31, 2019 and 2018;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows 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.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 Jamie Clark.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
December 5, 2019

Carube Copper Corp.
(An Exploration Stage Company)
Consolidated Statements of Financial Position

(expressed in Canadian dollars)

| | August 31, 2019 | August 31, 2018 |
|---|----------------------------|----------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 109,863 | 1,220,668 |
| Restricted deposits (note 4) | 15,107 | 15,302 |
| Amounts receivable (note 5) | 49,990 | 64,773 |
| Prepaid expenses | 35,435 | 47,283 |
| Marketable securities (note 6) | 37,500 | - |
| | <hr/> 247,895 | <hr/> 1,348,026 |
| Equipment (note 7) | 30,114 | 40,312 |
| Exploration advances | - | 15,687 |
| Mineral exploration properties (note 8) | 5,831,490 | 7,029,676 |
| Deferred exploration expenditures (note 8) | 5,423,670 | 5,037,740 |
| | <hr/> 11,285,274 | <hr/> 12,123,415 |
| Total assets | <hr/> 11,533,169 | <hr/> 13,471,441 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 151,253 | 154,375 |
| Total liabilities | <hr/> 151,253 | <hr/> 154,375 |
| Shareholders' equity | | |
| Capital stock (note 11) | 18,577,354 | 18,392,195 |
| Warrants (note 11) | 450,487 | 708,112 |
| Contributed surplus | 2,034,369 | 1,728,459 |
| Accumulated deficit | (9,349,651) | (7,078,506) |
| Accumulated other comprehensive loss | (330,643) | (433,194) |
| Total shareholders' equity | <hr/> 11,381,916 | <hr/> 13,317,066 |
| Total liabilities and shareholders' equity | <hr/> 11,533,169 | <hr/> 13,471,441 |

Going concern (note 1)

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

Approved by the Board of Directors:

/s/ Antony Manini
Director

/s/ Alar Soever
Director

Carube Copper Corp.

(An Exploration Stage Company)

Consolidated Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars)

| | Year ended August 31, 2019 \$ | Year ended August 31, 2018 \$ |
|--|--|--|
| Expenses | | |
| Promotion and investor relations | 117,629 | 306,593 |
| Regulatory authority and transfer agent fees | 20,501 | 41,453 |
| Legal, accounting, audit and financial advisory | 68,245 | 83,877 |
| Office, general and administrative | 416,532 | 522,599 |
| Project generation and evaluation | 428,095 | 90,833 |
| Share based compensation (note 11) | 234,194 | 228,015 |
| Loss on sale of licences to Geophysx Jamaica Ltd. (note 8) | 980,295 | - |
| Impairment of mineral exploration property and deferred exploration expenditures (note 8) | - | 425,614 |
| | <u>2,265,491</u> | <u>1,698,984</u> |
| Interest income | (7,981) | (10,055) |
| Interest expense | - | 36,554 |
| Loss on marketable securities (note 6) | 12,500 | - |
| Other income | - | (1,913) |
| Foreign exchange loss | 1,135 | 4,401 |
| | <u>5,654</u> | <u>28,987</u> |
| Net loss for the year | 2,271,145 | 1,727,971 |
| Other comprehensive loss (income) | | |
| Items that may be subsequently reclassified to operations | | |
| Foreign currency translation adjustment | (102,551) | 96,689 |
| Total comprehensive loss for the year | <u>2,168,594</u> | <u>1,824,660</u> |
| Loss per common share: | | |
| Basic and diluted | <u>0.01</u> | <u>0.01</u> |
| Weighted average number of common shares outstanding: | | |
| Basic and diluted | <u>170,563,856</u> | <u>135,576,368</u> |

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

Carube Copper Corp.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

| | Capital stock | | Warrants | | Contributed surplus | Accumulated deficit | Accumulated other comprehensive income (loss) | Total shareholders' equity |
|---|---------------|------------|--------------|-----------|---------------------|---------------------|---|----------------------------|
| | # | \$ | # | \$ | \$ | \$ | \$ | \$ |
| Balance, August 31, 2017 | 109,503,475 | 15,406,956 | 21,900,000 | 408,325 | 1,469,094 | (5,350,535) | (336,505) | 11,597,335 |
| Net loss for the year | - | - | - | - | - | (1,727,971) | - | (1,727,971) |
| Foreign currency translation adjustment | - | - | - | - | - | - | (96,689) | (96,689) |
| Total comprehensive loss for the year | - | - | - | - | - | (1,727,971) | (96,689) | (1,824,660) |
| Settlement of promissory notes with shares (note 10) | 8,220,754 | 464,115 | - | - | - | - | - | 464,115 |
| Private placement of units (note 11) | 50,000,000 | 2,617,713 | 25,000,000 | 382,287 | - | - | - | 3,000,000 |
| Compensation options issued to finders (note 11) | - | (85,850) | - | - | 85,850 | - | - | - |
| Share issue costs | - | (147,739) | - | - | - | - | - | (147,739) |
| Expiry of warrants (note 11) | - | - | (4,000,000) | (82,500) | 82,500 | - | - | - |
| Shares issued for vested restricted share units (note 11) | 1,284,897 | 124,000 | - | - | (124,000) | - | - | - |
| Shares issued for vested deferred share units (note 11) | 65,000 | 13,000 | - | - | (13,000) | - | - | - |
| Restricted share units (note 11) | - | - | - | - | 69,919 | - | - | 69,919 |
| Deferred share units (note 11) | - | - | - | - | 66,250 | - | - | 66,250 |
| Stock option compensation charge (note 11) | - | - | - | - | 91,846 | - | - | 91,846 |
| | 59,570,651 | 2,985,239 | 21,000,000 | 299,787 | 259,365 | (1,727,971) | (96,689) | 1,719,731 |
| Balance, August 31, 2018 | 169,074,126 | 18,392,195 | 42,900,000 | 708,112 | 1,728,459 | (7,078,506) | (433,194) | 13,317,066 |
| Net loss for the year | - | - | - | - | - | (2,271,145) | - | (2,271,145) |
| Foreign currency translation adjustment | - | - | - | - | - | - | 102,551 | 102,551 |
| Total comprehensive income for the year | - | - | - | - | - | (2,271,145) | 102,551 | (2,168,594) |
| Share issue costs | - | (750) | - | - | - | - | - | (750) |
| Expiry of warrants (note 11) | - | - | (17,125,000) | (257,625) | 257,625 | - | - | - |
| Shares issued for vested restricted share units (note 11) | 239,583 | 20,700 | - | - | (20,700) | - | - | - |
| Shares issued for vested deferred share units (note 11) | 1,493,220 | 165,209 | - | - | (165,209) | - | - | - |
| Restricted share units (note 11) | - | - | - | - | 10,925 | - | - | 10,925 |
| Stock option compensation charge (note 11) | - | - | - | - | 223,269 | - | - | 223,269 |
| | 1,732,803 | 185,159 | (17,125,000) | (257,625) | 305,910 | (2,271,145) | 102,551 | (1,935,150) |
| Balance, August 31, 2019 | 170,806,929 | 18,577,354 | 25,775,000 | 450,487 | 2,034,369 | (9,349,651) | (330,643) | 11,381,916 |

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

Carube Copper Corp.
(An Exploration Stage Company)
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 | (2,271,145) | (1,727,971) |
| Items not affecting cash: | | |
| Share based compensation (note 11) | 234,194 | 228,015 |
| Depreciation of equipment | 72 | 11,682 |
| Loss on sale of licences to Geophysx Jamaica Ltd. (note 8) | 980,295 | - |
| Impairment of mineral exploration property and deferred exploration expenditures (note 8) | - | 425,614 |
| Interest accrued on bridge loans and promissory notes | - | 35,403 |
| Interest income on restricted deposits | (311) | (235) |
| Loss on marketable securities | 12,500 | - |
| Reduction of flow-through premium in other income | - | (1,913) |
| Change in working capital items: | | |
| Amounts receivable | 14,783 | 19,688 |
| Prepaid expenses | 11,848 | 43,039 |
| Accounts payable and accrued liabilities | (14,302) | (359,612) |
| | <u>(1,032,066)</u> | <u>(1,326,290)</u> |
| Investing activities | | |
| Restricted deposits (note 4) | 506 | 13,143 |
| Exploration advances | 15,687 | 27,601 |
| Proceeds from Geophysx Jamaica Ltd. acquisition of licences (note 8) | 277,605 | - |
| Tocvan Ventures Corp. cash option payment (note 8) | 25,000 | - |
| Mineral exploration properties costs (note 8) | (6,181) | (37,587) |
| Deferred exploration expenditures (note 8) | (390,606) | (758,341) |
| OZ Minerals Ltd. exploration expenditures (note 8) | - | (5,880) |
| | <u>(77,989)</u> | <u>(761,064)</u> |
| Financing activities | | |
| Issuance of common shares and warrants (note 11) | - | 3,000,000 |
| Share issue costs | (750) | (147,739) |
| Repayment of bridge loan and accrued interest (note 9) | - | (109,363) |
| Repayment of promissory notes and accrued interest (note 10) | - | (99,972) |
| | <u>(750)</u> | <u>2,642,926</u> |
| Net change in cash and cash equivalents | (1,110,805) | 555,572 |
| Cash and cash equivalents - Beginning of year | <u>1,220,668</u> | <u>665,096</u> |
| Cash and cash equivalents - End of year | <u>109,863</u> | <u>1,220,668</u> |

Supplemental cash flow information (note 17)

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

Carube Copper Corp.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

(expressed in Canadian dollars)

1. Nature of operations and going concern

General information

On June 18, 2015, Miocene Resources Limited ("Miocene"), renamed Carube Copper Corp. (referred to herein collectively with its subsidiaries as the "Company"), completed a reverse takeover with Carube Resources Inc. (CRI). On July 7, 2015, the Company commenced trading on the TSX Venture Exchange ("TSX-V") under the ticker symbol CUC.

Carube Copper Corp. is an exploration stage junior mining company. Since November of 2009, the Company has been engaged in the identification, acquisition, evaluation and exploration of mineral properties. The Company has not determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company's registered office is located at 133 Richmond Street West, Suite 501, Toronto, Ontario, Canada where it is domiciled. The Company's subsidiaries include Carube Resources Inc., domiciled in Toronto, Canada and Carube Resources Jamaica Limited and Rodinia Jamaica Limited, which are both domiciled in Kingston, Jamaica.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

From November 2009 to date, the Company has incurred losses from operations and has had negative cash flows from operating activities. As at August 31, 2019, the Company had working capital of \$96,642. Existing funds on hand are not sufficient to support ongoing corporate costs, exploration costs or costs of acquiring new exploration properties. These conditions raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. During August 2019, the Company announced a letter of intent for the acquisition of Latin America Resource Group Limited ("LARG") by way of a share exchange along with a concurrent \$2.5 million private placement financing (see notes 18 and 19). Subsequent to year end, during September 2019, the Company concluded a private placement financing raising gross proceeds of \$260,000 (see note 19). The Company will require additional funding to be able to acquire, advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

There is no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Significant accounting policies

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Board of Directors of the Company approved these consolidated financial statements (including comparatives) for issue on December 5, 2019.

General information and basis of consolidation

Carube Copper Corp. (formerly Miocene Resources Limited) was incorporated under the *Business Corporations Act (Ontario)* on March 29, 2010. The Company completed a reverse takeover with CRI on June 18, 2015. Carube Resources Inc. was incorporated under the *Business Corporations Act (Ontario)* on August 2, 2007 under the name 2144321 Ontario Inc. and was inactive until October 2009 at which time its name was changed to CRI. On March 31, 2011, CRI incorporated Carube Resources Jamaica Limited (CRJL), a wholly-owned Jamaican subsidiary, in order for it to hold the Bellas Gate project mineral exploration licences and to conduct business as operator of the project. On March 31, 2012, CRI acquired all of the outstanding shares of Rodinia Jamaica Limited (RJL) in exchange for common shares of CRI. RJL held title to four Special Exclusive Prospecting Licenses (SEPLs) in Jamaica.

The Company's financial statements consolidate those of the parent company and each of its 100% wholly-owned subsidiaries CRI, CRJL and RJL. All inter-company balances and transactions are eliminated upon consolidation. The consolidated financial statements are expressed in Canadian dollars and are prepared using the historical cost method.

Cash and cash equivalents

Cash and cash equivalents includes cash held in banks and investments which have a term to maturity at the time of purchase of ninety days or less and which are readily convertible into cash.

Equipment

Equipment is initially recorded at cost and is then depreciated using the declining balance method at the following annual rates: computers at 30%, office furniture and equipment at 20% and field vehicles and equipment at 30%.

(expressed in Canadian dollars)

Mineral exploration property and deferred exploration expenditures

Acquisition costs of mineral exploration properties together with direct exploration and development expenditures are capitalized and are carried at cost less any impairment loss recognized. When production is attained, these costs will be amortized. If properties are abandoned or it is determined that there is an impairment in value, the costs of the properties and related deferred expenditures will be written down to their estimated recoverable amount at that time. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the consolidated statements of operations and comprehensive loss. Expenditures of a general nature are expensed to project generation and business development in the consolidated statements of operations and comprehensive loss.

Option-out agreements are accounted for as farm-out arrangements. The Company, as the farmor, does not record any expenditures made by the optionee on its behalf, does not recognize any gain or loss on the option-out arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash or share consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

Proceeds realized from the sale of mineral exploration property interests are credited against mineral property and deferred exploration costs previously capitalized for each project. Any shortfall or excess is recorded as a loss or gain, respectively, in the consolidated statement of operations.

The Company may be entitled to certain refundable tax credits on qualified exploration expenditures incurred in the Provinces of British Columbia and Quebec. The refundable tax credit rate based on qualified expenditures incurred is 20% in British Columbia and 28% in Quebec. Additionally, the Company may be entitled to a refundable credit on duties for losses in the Province of Quebec under the *Mining Duties Act*. The refundable credit on duties is applicable on 50% of qualifying exploration expenditures at a rate of 16%. In accordance with IAS 20, any tax credits receivable are credited against the costs incurred at the time they are determined to be receivable.

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

Impairment of non-financial assets

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash generating unit is reviewed for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property by property basis.

An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less cost to dispose and its value in use. To determine the value in use, management determines a suitable interest rate and estimates expected future cash flows from each asset or cash generating unit. An impairment loss is recognized immediately in the consolidated statements of operations and comprehensive loss. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Share capital and equity-settled share-based payments

Share issue costs are recorded as a reduction of share capital when the related shares are issued.

Share capital issued for non-monetary consideration including exploration property assets and other goods or services is measured at the fair values of the property or goods and services received, unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the property or goods and services received, the Company determines their value indirectly by reference to the fair value of the equity instruments granted at an amount based on the recent trading price of Company shares on the TSX-V.

The Company grants stock options to certain officers, directors and consultants of the Company. The vesting period and life of stock options is determined by the Company's Compensation Committee at the time of grant. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation cost related to stock options is charged to expense or is capitalized to deferred exploration expenditures when related to direct exploration activities. Compensation cost is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Restricted share units (RSUs) and deferred share units (DSUs) are measured at the fair value of the shares at the grant date as these are settled through the issuance of shares. The Company's compensation expense is recognized over the vesting period based on the number of units estimated to vest. Management estimates the number of awards likely to vest on grant and at each reporting date up to the vesting date. The estimated forfeiture rate is adjusted for actual forfeitures in the period.

Flow-through share accounting

In accordance with current tax legislation, the Company renounces the tax deductions relating to qualified resource expenditures that are financed by the issuance of flow-through shares to the benefit of the flow-through shareholders. Common shares issued on a flow-through basis typically include a premium over the market price of the Company's common shares that is associated with the tax benefits of the flow-through share. The Company estimates the proportion of proceeds attributable to the flow-through premium as the excess of the subscription price over the market value of the shares and records this value as a liability at issuance.

Deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of operations and comprehensive loss. If unrecognized deferred tax assets exist, deferred tax liabilities recorded upon incurring the qualified expenditures are offset with a deferred tax recovery recorded in the consolidated statements of operations and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as other income in the consolidated statements of operations and comprehensive loss.

(expressed in Canadian dollars)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Carube Copper Corp. and CRI is the Canadian dollar. The functional currency of CRJL and RJL is the Jamaican dollar. The functional currency has remained unchanged during the reporting periods for both the parent company and its subsidiaries. The presentation currency of the Company is the Canadian dollar.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Foreign exchange gains or losses on translation to the functional currency of an entity are recorded in the consolidated statements of operations and comprehensive loss as foreign exchange gain or loss.

Consolidation

The financial statements of CRJL and RJL are translated into Canadian dollars on consolidation as follows: assets and liabilities - at the closing rate at the date of the statements of financial position, and income and expenses - at the average rate of the period (as this is considered a reasonable approximation of actual rates). All resulting foreign exchange translation adjustments are recognized in other comprehensive income (loss).

Income taxes

Income tax comprises current and deferred tax, when applicable. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax liabilities are always recorded in full.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Loss per common share

Loss per common share is calculated based upon the weighted average number of common shares outstanding during the year. As the Company incurred a net loss for the fiscal years ended August 31, 2019 and 2018, the diluted number of common shares outstanding excludes all contingently issuable shares as they have an anti-dilutive effect for the years presented.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as: amortized cost; fair value through profit or loss; or, fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when the it first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held by a business 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, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Amounts receivable are classified as and measured at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVTOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVTOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company's cash and cash equivalents and marketable securities are measured at FVTPL with changes in fair value recognized in the statements of operations.

Financial assets at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of loss. The election is available on an investment-by-investment basis.

(expressed in Canadian dollars)

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of operations when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statement of operations. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The financial liability derecognition and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period end. Any gains or losses arising from changes in fair value of derivatives are recorded in the statement of operations.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 - Fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within 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 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The criteria that the Company uses to determine if there is objective evidence of an impairment loss includes:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

At each statement of financial position date, on a forward looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Segmented reporting

The Company presents and discloses segmented information based on information that is regularly reviewed by the Company's President and CEO who is the chief operating decision-maker. The President & CEO has primary responsibility for allocating resources to the Company's operating segments and assessing their performance. The Company has determined that there is only one operating segment being the sector of exploration and development of mineral resource properties.

New and revised accounting standards

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9) which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has adopted IFRS 9 effective September 1, 2018. The adoption of this this new standard had no material impact on the Company's consolidated financial statements.

(expressed in Canadian dollars)

3. Critical accounting estimates and judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, equity, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, equity, income and expenses are discussed below.

Mineral exploration property and deferred exploration expenditure assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a 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; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

Valuation of stock options, warrants and compensation options

The estimation of share-based payment costs and the value of warrants and compensation options requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model. The Company has made estimates as to the volatility of its own common shares, the expected life of share options, warrants and compensation options granted and the time of exercise of those instruments.

The Company allocates values to share capital and to warrants according to their fair value using the proportional method when the two are issued together as a unit. The Company uses the Black-Scholes valuation model to determine the fair value of warrants issued.

Going concern

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions. Further information regarding going concern is outlined in note 1.

4. Restricted deposits

The Company has established a corporate credit card account for the payment of travel and corporate costs. An amount of \$15,107 (August 31, 2018 - \$15,302) held in a guaranteed investment certificate has been pledged as collateral for the maximum credit limit on this credit card account.

5. Amounts receivable

| | August 31, 2019 | August 31, 2018 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Harmonized sales tax (HST) receivable | 14,928 | 21,354 |
| Quebec exploration tax credits receivable | 35,062 | 35,062 |
| Refundable import duty on exploration equipment | - | 8,357 |
| | <u>49,990</u> | <u>64,773</u> |

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(expressed in Canadian dollars)

6. Marketable securities

During March 2019, the Company received 500,000 common shares of Tocvan Ventures Corp. ("Tocvan") under the terms of the option agreement for the Rogers Creek, BC project (see note 8). These shares are classified as fair value through profit and loss and are recorded at fair value using the quoted market price of Tocvan's common shares on the Canadian Securities Exchange. The following table summarizes information regarding the Company's marketable securities.

| | Year ended August 31, 2019 \$ |
|-----------------------------------|--|
| Balance, beginning of year | - |
| Addition (note 8) | 50,000 |
| Unrealized loss | <u>(12,500)</u> |
| Balance, end of year | <u>37,500</u> |

7. Equipment

| | Computers \$ | Office furniture and equipment \$ | Field vehicles and equipment \$ | Total \$ |
|--|-------------------------|--|--|---------------------|
| Gross carrying amount | | | | |
| Balance, September 1, 2018 and August 31, 2019 | 13,696 | 4,593 | 82,912 | 101,201 |
| Accumulated depreciation | | | | |
| Balance, September 1, 2018 | 13,427 | 4,593 | 42,869 | 60,889 |
| Depreciation | 72 | - | 10,126 | 10,198 |
| Balance, August 31, 2019 | 13,499 | 4,593 | 52,995 | 71,087 |
| Carrying amount, August 31, 2019 | <u>197</u> | <u>-</u> | <u>29,917</u> | <u>30,114</u> |
| Gross carrying amount | | | | |
| Balance, September 1, 2017 | 13,696 | 4,593 | 87,726 | 106,015 |
| Disposal of equipment | - | - | (4,814) | (4,814) |
| Balance, August 31, 2018 | 13,696 | 4,593 | 82,912 | 101,201 |
| Accumulated depreciation | | | | |
| Balance, September 1, 2017 | 10,985 | 3,695 | 29,014 | 43,694 |
| Depreciation | 2,442 | 898 | 18,669 | 22,009 |
| Disposal of equipment | - | - | (4,814) | (4,814) |
| Balance, August 31, 2018 | 13,427 | 4,593 | 42,869 | 60,889 |
| Carrying amount, August 31, 2018 | <u>269</u> | <u>-</u> | <u>40,043</u> | <u>40,312</u> |

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8. Mineral exploration properties and deferred exploration expenditures

| | Bellas Gate (Jamaica) | Rodinia and Other Licenses (Jamaica) | Stewart Brook Gold (Nova Scotia, Canada) | Rogers Creek, Mackenzie and Salal (BC, Canada) | Fiedmont (Quebec, Canada) | Total |
|--|--------------------------|---|---|---|---------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>Mineral exploration properties:</u> | | | | | | |
| Balance, August 31, 2017 | 1,729,838 | 1,993,425 | - | 3,303,943 | 187,258 | 7,214,464 |
| Licence and claim renewal fees | 1,111 | 2,483 | - | - | 3,993 | 7,587 |
| Cash option payment | - | - | - | - | 30,000 | 30,000 |
| Impairment of mineral exploration property costs | - | - | - | - | (221,251) | (221,251) |
| Translation to reporting currency | (761) | (363) | - | - | - | (1,124) |
| Balance, August 31, 2018 | 1,730,188 | 1,995,545 | - | 3,303,943 | - | 7,029,676 |
| Licence and claim renewal fees | 1,744 | 1,393 | 2,602 | 442 | - | 6,181 |
| Tocvan Ventures Corp. cash payment | - | - | - | (25,000) | - | (25,000) |
| Tocvan Ventures Corp. share payment | - | - | - | (50,000) | - | (50,000) |
| Sale of licences to Geophysx Jamaica Ltd. | - | (1,130,639) | - | - | - | (1,130,639) |
| Translation to reporting currency | 441 | 831 | - | - | - | 1,272 |
| Balance, August 31, 2019 | 1,732,373 | 867,130 | 2,602 | 3,229,385 | - | 5,831,490 |
| <u>Deferred exploration expenditures:</u> | | | | | | |
| Balance, August 31, 2017 | 3,807,399 | 336,043 | - | 302,384 | 130,525 | 4,576,351 |
| Geology | 181,905 | 120,845 | - | 21,144 | 1,260 | 325,154 |
| Geochemical | 9,793 | 10,945 | - | 3,935 | - | 24,673 |
| Trenching | - | - | - | - | 107,640 | 107,640 |
| Drilling and related | 240,120 | 36,288 | - | - | - | 276,408 |
| Environmental | 1,384 | 490 | - | - | - | 1,874 |
| Community and social development | 41,757 | 19,123 | - | - | - | 60,880 |
| Health and safety | 1,373 | 1,721 | - | - | - | 3,094 |
| Quebec exploration tax credits | - | - | - | - | (35,062) | (35,062) |
| Impairment of deferred exploration expenditures | - | - | - | - | (204,363) | (204,363) |
| Translation to reporting currency | (94,688) | (4,221) | - | - | - | (98,909) |
| Balance, August 31, 2018 | 4,189,043 | 521,234 | - | 327,463 | - | 5,037,740 |
| Geology | 41,489 | 145,137 | 18,951 | 34,943 | - | 240,520 |
| Geochemical | 4,179 | 23,397 | 10,020 | 3,025 | - | 40,621 |
| Drilling and related | 67,378 | 29,685 | - | - | - | 97,063 |
| Environmental | 3,400 | 2,131 | - | - | - | 5,531 |
| Community and social development | 15,178 | 11,061 | - | - | - | 26,239 |
| Health and safety | 1,545 | 2,048 | - | 353 | - | 3,946 |
| Sale of licences to Geophysx Jamaica Ltd. | - | (127,261) | - | - | - | (127,261) |
| Translation to reporting currency | 93,963 | 5,308 | - | - | - | 99,271 |
| Balance, August 31, 2019 | 4,416,175 | 612,740 | 28,971 | 365,784 | - | 5,423,670 |

Bellas Gate property agreements

OZ Minerals Ltd. agreements

Current OZ Minerals agreement

During September 2016, the Company announced it had finalized a heads of agreement ("HoA") with OZ Minerals Ltd., an Australian copper-gold producer listed on the Australian Securities Exchange ("OZ Minerals"), to acquire all of OZ Minerals' property holdings in Jamaica which include the 70% interest that OZ Minerals had earned in the Bellas Gate Project (see below) and five licences covering 276 square kilometres which OZ Minerals had acquired directly in 2014. Additionally, the Company retained a 100% interest in the Above Rocks project as OZ Minerals elected not to proceed with the joint venture earn-in (see below). A definitive legal agreement incorporating the terms of the HoA was concluded in January 2017.

Under the terms of the definitive agreement, for the acquisition of the 70% interest in the Bellas Gate Project the Company is obligated to: (i) pay OZ Minerals \$8.5 million within one year of commencement of commercial production at Bellas Gate; (ii) pay OZ Minerals an additional \$4 million within two years of commencement of commercial production; and, (iii) grant OZ Minerals a 2% net smelter royalty (NSR) with a buyback right of two-thirds of the NSR for \$1.3 million with any NSR payments capped at a maximum amount of \$20 million.

(expressed in Canadian dollars)

Additionally, the Company acquired a 100% interest in the five OZ Minerals licences consisting of the Arthur's Seat, Berkshire Hall, Mount Ogle, Shirley Castle and Windsor Castle Special Exclusive Prospecting Licences (SEPLs). Under the terms of the January 2017 agreement the Company was obligated to provide OZ Minerals a single payment of \$1.5 million within one year of commencement of commercial production on any of the five licences. Each of the licences was subject to a 2% NSR with a buyback of one-half of the NSR for \$500,000. During May 2019, the Company completed amendments to the agreement with OZ Minerals to: (i) waive the \$1.5 million payment within one year of commencement of commercial production if the mineral product is less than 10,000 tonnes per annum; and, (ii) reduce the 2% NSR to a 1% NSR with a buyback of one-half for \$250,000 on any of the SEPLs.

On June 19, 2019, the Company announced an agreement with Geophysx Jamaica Ltd. ("Geophysx"), pursuant to which Geophysx agreed to acquire six of the Company's SEPLs located in Jamaica including four of the SEPLs acquired from OZ Minerals and two of the Rodinia SEPLs. The SEPLs contain early-stage copper-gold exploration projects and include the Belvedere, Mount Royal, Mount Ogle, Berkshire Hall, Windsor Castle and Shirley Castle SEPLs.

Pursuant to this agreement, Geophysx acquired a 100% interest in each of the projects for total cash of \$277,605 (payment of US\$5,000 upon execution of the initial letter of intent (received during May 2019); and, payment of US\$205,000 from trust upon transfer of title of the SEPLs to Geophysx (received August 2019)). The Company retains a net smelter return (NSR) royalty of 1% on four of these SEPLs. Geophysx will have the right to buy down the first half of the NSR for US\$50,000 per each 0.1% of the NSR (total of US\$250,000) and the second half of the NSR for US\$70,000 per each 0.1% of the NSR (total of US\$350,000). Geophysx would make future cash payments to the Company at milestones following commencement of commercial production that could total US\$240,000. The Company recorded a loss on sale of these licences of \$980,295.

Preceding OZ Minerals agreements

During May 2013, the Company entered into a term sheet with OZ Minerals that lead to a farm-in joint venture agreement relating to the Bellas Gate Project which consists of the Bellas Gate and Browns Hall SEPLs which total 84 sq. km. in area.

The term sheet provided that upon certain conditions being met, that OZ Minerals and the Company would enter into an agreement which would potentially lead to a joint venture with respect to the Bellas Gate Project and the Company would grant OZ Minerals a right to enter into separate agreements on each of the Company's other projects in Jamaica (which comprise the other four SEPLs, excluding the Bellas Gate Project SEPLs). OZ Minerals agreed to make a US\$900,000 equity investment in the Company, which was completed during January 2014, when OZ Minerals confirmed the satisfactory completion of their due diligence and that any conditions precedent had been satisfied such that the terms of the May 2013 term sheet became binding on OZ Minerals and the Company. A definitive agreement incorporating the terms contained in the term sheet and other conditions that are customary for mining exploration project joint venture agreements was completed during May 2015.

Significant terms of the definitive agreement included an initial phase of work by OZ Minerals for \$500,000 of exploration expenditures. In total, to earn a 70% interest in the Bellas Gate Project, OZ Minerals was required to spend \$6.5 million on exploration and make cash payments to the Company of \$475,000 over a maximum period of 3.5 years. During January 2016, the Company announced that OZ Minerals had incurred cumulative exploration expenditures in excess of \$8.3 million and had fulfilled the Phase 4 earn-in requirements to have a vested 70% interest in the Bellas Gate Project. OZ Minerals was then able to earn a further 10% interest by financing all work to the end of a feasibility study. This Phase 5 of the earn-in was initiated during February 2016.

Additionally, OZ Minerals was provided the option to fly airborne geophysics over the Company's other three Jamaican projects (comprised of four SEPLs, see *Rodinia Jamaica property licenses* below) in return for the right to enter into joint ventures on any or all of the projects. OZ Minerals completed the airborne geophysics during June 2015. During September 2015, the Company and OZ Minerals entered into a definitive agreement with respect to the earn-in and potential joint venture on the Above Rocks Project. OZ Minerals did not elect to proceed with joint ventures on the Hungry Gully and Main Ridge Projects.

The Bellas Gate Project is subject to a 2% NSR in favour of Clarendon Consolidated Minerals Ltd. ("CCM").

OZ Minerals project funding

Under the terms of the prior agreement, OZ Minerals had advanced total exploration funding of \$5,593,373 directly to the Company to fund joint venture earn-in expenditures in addition to funds they had expended directly. As at August 31, 2019 and 2018, all of these funds had previously been expended.

Rodinia Jamaica property licenses

Acquisition of Rodinia Jamaica Limited

On March 31, 2012, the Company completed the acquisition of a 100% interest in Rodinia Jamaica Limited ("RJL") from Tigers Realm Metals Pty Limited ("TRM") and Rodinia Resources Pty Limited ("Rodinia"). At the time of the acquisition TRM held a non-controlling equity interest in the Company. RJL held a 100% interest in four SEPLs in Jamaica which are known as Belvedere, Hungry Gully, Main Ridge and Mount Royal and total 184 sq. km. in area. The Belvedere and Mount Royal SEPLs are contiguous and are considered one project area known as Above Rocks. Rodinia retains a 2% NSR in respect of the four SEPLs. The acquisition agreement for the SEPLs included certain commitments to conduct exploration work on the SEPLs within specified time periods as amended during December 2013. A series of common share issuances were completed during calendar 2014 and 2015 in lieu of completing the exploration work commitments. No further commitments remain.

OZ Minerals definitive agreement

During September 2015, the Company entered into a definitive agreement with OZ Minerals related to the earn-in and potential joint venture with respect to the Rodinia Jamaica licences comprising three separate projects. Terms of the agreement are as follows.

OZ Minerals had to elect on which projects it wished to earn into before December 20, 2015, and subsequently pay \$50,000 to the Company within 30 days and spend \$500,000 on exploration within one year of the election date to earn a 40% interest in each project elected. OZ Minerals then had a right to earn up to a 70% interest in any one of the three projects, in a staged earn-in, by paying \$275,000 to the Company and solely funding \$6.5 million of exploration expenditures over a period of five years or less. Thereafter, OZ Minerals could have advanced its interest in a project to 80% by solely funding all costs required for the completion of a National Instrument 43-101-compliant, Joint Ore Reserves Committee standard feasibility study.

(expressed in Canadian dollars)

On December 7, 2015, OZ Minerals provided the Company notice of its election to initiate an earn-in and potential joint venture with respect to the Above Rocks Project (comprising two SEPLs), totalling 104 sq. km. in area. The Company received the initial cash payment of \$50,000 during December 2015. This payment was recorded as a reduction of mineral exploration property costs. OZ Minerals did not elect to proceed with joint ventures on the Hungry Gully and Main Ridge Projects. During September 2016, OZ Minerals elected not to continue with the Above Rocks earn-in.

Sale of licences to Geophysx Jamaica Ltd.

On June 19, 2019, the Company announced an agreement with Geophysx, pursuant to which Geophysx agreed to acquire six of the Company's SEPLs including four of the SEPLs acquired from OZ Minerals and the Belvedere and Mount Royal SEPLs (see above). The Company retains a 100% interest in the Hungry Gully and Main Ridge SEPLs subject to Rodinia's 2% NSR. In total, the Company recorded a loss on sale of these six licences of \$980,295.

Stewart Brook Gold project, Nova Scotia

During April, 2019, the Company acquired, through staking, a 100% interest in 300 mineral claims covering the Stewart Brook Gold project area comprising over 46 sq. km. in Guysborough County, Nova Scotia.

Rogers Creek, Mackenzie and Salal properties

The Rogers Creek, Mackenzie and Salal projects were acquired with the reverse takeover of Miocene. These properties are described as follows.

Rogers Creek

The Company currently has a 100% interest in the Rogers Creek property, which is subject to the earn-in by Tocvan Ventures Corp. ("Tocvan") discussed below, and is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver and consists of 23 claims totalling 212 sq. km. in area. A 2.5% NSR royalty is payable to the original vendor of the property upon production, half of which can be purchased for \$1.25 million.

During May 2018, the Company entered into an option earn-in agreement with Tocvan who has a right to earn an 80% interest in the Rogers Creek project by spending \$1,900,000 on exploration; payment of \$25,000 cash; and the issuance of 1,300,000 Tocvan common shares over the initial four year earn-in period. Initial payments of \$25,000 cash and 500,000 common shares were payable following the Canadian Securities Exchange's approval of Tocvan's going public transaction. These initial payments were received during March 2019. Following the successful completion of the earn-in, an 80% / 20% joint venture will be formed where the Company would retain a 20% interest in the project subject to funding future pro-rata expenditures. A 3% NSR royalty is payable by Tocvan to the Company with advance royalty payments of \$50,000 per year after Tocvan has earned its 80% interest.

Mackenzie

The Company has a 100% interest in the Mackenzie property located within the Coastal Mountain Belt of British Columbia, north of Vancouver which consists of 12 claims totalling 125 sq. km. in area. The property is subject to a 2% NSR royalty which is payable upon production, 62.5% of which can be purchased at \$1 million adjusted for the Consumer Price Index for the City of Vancouver. The Company has the first right of refusal to purchase the remaining 37.5% of the NSR. Additionally, a 1.75% NSR royalty on the Mackenzie property was granted to Wallbridge Mining Company Ltd. ("Wallbridge") in connection with Miocene's prior line of credit arrangements with Wallbridge. The Wallbridge NSR can be repurchased for \$1.75 million.

Salal

The Salal property consisted of 34 claims totalling 124 sq. km. in area and is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver. A full impairment charge with respect to prior property and exploration costs associated with the Salal property was recorded by Miocene during 2013. No additional expenditures have been incurred since this time. The Salal property claims were allowed to lapse during August 2019.

Fiedmont property option agreement

During 2010, the Company entered into a property option agreement to acquire a potential 100% interest in the Fiedmont property comprised of 54 claims, totalling 23 sq. km. in area, in Fiedmont Township, Quebec. Total consideration payable under the terms of the option agreement included: \$10,000 cash upon execution of the definitive option agreement and a balance totalling \$160,000 in cash; 490,000 common shares; and, exploration expenditures of \$700,000 staged in annual installments over four years following the Company going public in July 2015. The Fiedmont property was subject to a 2% NSR retained by the vendors which was subject to certain buyback provisions.

As at August 31, 2018, the Company recorded a full impairment charge totalling \$425,614 with respect to the Fiedmont project as it had been determined that exploration would not continue in order that Company efforts could be focused on its core assets in Jamaica. This impairment charge was comprised of property acquisition costs of \$221,251 and net exploration costs of \$204,363.

9. Repayment of bridge loan and accrued interest

During January 2014, the Company completed an offering of convertible promissory notes with six lenders raising proceeds of \$270,000 intended to provide funding of general working capital requirements up until the completion of the Miocene going public transaction. These bridge loans were interest bearing at a rate of 18% per annum. During fiscal 2018, one bridge loan with a principal value of \$100,000 remained outstanding. On September 30, 2017, an amending agreement with respect to this outstanding bridge loan was entered into. This amending agreement set out requirements for principal and interest payments as follows: (i) principal of \$35,000 and interest of \$6,000 on October 3, 2017 (paid); (ii) principal of \$35,000 on November 15, 2017 (paid); and, (iii) principal of \$30,000 and interest of \$2,138 on December 31, 2017 (total of \$33,363 paid on March 23, 2018).

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10. Repayment of promissory notes and accrued interest

During March 2018, the Company extinguished the balances due with respect to all remaining promissory notes payable with an amount of \$464,115 of principal and interest settled with the issuance of 8,220,754 common shares; and, the balance with cash payments of \$99,972.

The Company had various promissory notes payable to officers and a contractor for the settlement of accrued compensation and cash demand loans advanced to the Company. Additionally, in connection with the Miocene reverse takeover transaction various payables and debts totalling \$571,415 were settled with the issuance of promissory notes to the Company's Chairman, legal counsel and Wallbridge Mining Company Ltd. All promissory notes were interest bearing at a rate of 12% per annum. These promissory notes payable were subject to various amendments including partial repayments, maturity date extensions and settlements with the issuance of common shares.

On March 14, 2017, the Company amended the promissory note with Wallbridge to extend the repayment date from December 31, 2017 to December 31, 2019. In consideration for this extension of the repayment date Wallbridge was granted a pre-emptive right with respect to any future financings of the Company in order to maintain at all times a 15.5% equity interest in the Company's outstanding common shares. Wallbridge was also provided a right to convert any of the remaining promissory note indebtedness, at any time, into common shares of the Company at a price equal to the 4-day volume weighted average price.

11. Capital stock

Authorized

The Company is authorized to issue an unlimited number of common shares, having no par value.

Issued

Share issuances during fiscal 2019

During the year ended August 31, 2019, the Company issued a total of 239,583 common shares for vested restricted share units which were valued at \$20,700. Additionally, the Company issued a total of 1,493,220 common shares for vested deferred share units which were valued at \$165,209.

Fiscal 2018 financing activity

During February and March 2018, the Company completed a private placement financing raising total gross proceeds of \$3,000,000 with the issuance of 50,000,000 units. The first tranche of this financing closed during February 2018. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. A total of 25,000,000 warrants exercisable at \$0.10 per share for a period of two years from the closing dates of the offering were issued in connection with this placement. These warrants were recorded at a value of \$382,287. In connection with the closings during March 2018, the Company paid a total of \$122,130 in cash finder fees and issued a total of 2,035,500 compensation options exercisable for units. These compensation options were recorded at a value of \$85,850.

Other share issuances during fiscal 2018

During March 2018, the Company settled promissory notes payable and accrued interest in a total amount of \$464,115 with the issuance of 8,220,754 common shares (see note 10). During fiscal 2018, the Company issued a total of 1,284,897 common shares for vested restricted share units which were valued at \$124,000. During fiscal 2018, the Company issued a total of 65,000 common shares for vested deferred share units which were valued at \$13,000.

Warrants

As at August 31, 2019, a total of 25,775,000 warrants were outstanding as follows:

| Number | Exercise price \$ | Expiry date |
|-------------------|----------------------|------------------|
| 970,250 | 0.10 | February 1, 2020 |
| 14,911,666 | 0.10 | March 22, 2020 |
| 9,118,084 | 0.10 | March 29, 2020 |
| <u>775,000</u> | 0.25 | May 1, 2020 |
| <u>25,775,000</u> | 0.10 | |

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During March 2019, a total of 10,000,000 warrants exercisable at \$0.15 expired. During May 2019, a total of 6,500,000 warrants exercisable at \$0.15 expired. During August 2019 a total of 625,000 warrants exercisable at \$0.13 expired. During March 2018, a total of 1,500,000 warrants exercisable at \$0.15 expired. During July 2018, a total of 2,500,000 warrants exercisable at \$0.15 expired.

The fair value of warrants have been estimated using the Black-Scholes option pricing model and this value has been presented as a separate component of shareholders' equity. The range of assumptions used for the valuation of warrants during fiscal 2018 is as follows.

| | <u>2018</u> |
|-------------------------|-------------|
| Expected life in years | 2.0 |
| Expected volatility | 58% |
| Risk-free interest rate | 1.61% |
| Dividend yield | Nil |

Compensation options and compensation option warrants

In connection with the February / March 2018 unit financing, the Company issued an aggregate of 2,035,500 compensation options to eligible finders. These compensation options are exercisable at \$0.06 per unit to obtain one common share and one-half common share purchase warrant and expire March 22, 2020 and March 29, 2020. A potential total of 1,017,750 common share purchase warrants are issuable upon exercise of the compensation options. These common share purchase warrants would be exercisable to obtain a common share at \$0.10 per share and would expire on March 22, 2020 or March 29, 2020. These compensation options were valued at \$85,850 at initial recognition.

In connection with the March 2017 unit financing, the Company issued an aggregate of 23,625 compensation options to eligible finders. These compensation options were exercisable at \$0.08 per unit to obtain one common share and one-half common share purchase warrant and expired on March 3, 2019. In connection with the May 2017 unit financing, the Company issued an aggregate of 689,328 compensation options to eligible finders. These compensation options were exercisable at \$0.105 per unit to obtain one common share and one-half common share purchase warrant and expired on May 19, 2019. In connection with the June 2016 unit financing, the Company issued an aggregate of 43,671 compensation options to eligible finders. These compensation options were exercisable at \$0.10 per unit to obtain one common share and one-half common share purchase warrant and expired on July 20, 2018.

The fair value of compensation options has been estimated using the Black-Scholes option pricing model and these values have been recorded in contributed surplus and share issue costs reducing capital stock. The assumptions used for the valuation of compensation options are as follows: expected life of two years; expected volatility ranging from 58% to 100%; risk-free interest rates ranging from 0.40% to 1.61%; and, dividend yield of nil.

Stock options

During October 2010, the Company approved a stock option plan available to its employees, officers, directors and service providers. The number of options available under the plan is a maximum of 10% of the total number of issued and outstanding common shares. The Compensation Committee recommends to the Board the vesting period and exercise rights for each stock option granted.

Activity with respect to stock options is as follows:

| | Number | Weighted- average exercise price | \$ Expiry |
|---------------------------------|-------------------|---|----------------------------|
| Balance, August 31, 2017 | 6,735,000 | 0.09 | February 2021 to June 2022 |
| Forfeited | (1,800,000) | 0.08 | February 2021 |
| Granted | <u>4,000,000</u> | 0.18 | July 2023 |
| Balance, August 31, 2018 | 8,935,000 | 0.13 | February 2021 to July 2023 |
| Granted | <u>6,200,000</u> | 0.08 | May 2024 |
| Balance, August 31, 2019 | <u>15,135,000</u> | 0.11 | February 2021 to May 2024 |

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As at August 31, 2019 outstanding stock options are as follows:

| Exercise price \$ | Options outstanding | | Options exercisable | | Expiry |
|----------------------|---------------------|---|---------------------|---|-------------------|
| | Number of options | Weighted-average remaining contractual life (years) | Number of options | Weighted-average remaining contractual life (years) | |
| 0.08 | 2,350,000 | 1.5 | 2,350,000 | 1.5 | February 28, 2021 |
| 0.08 | 6,200,000 | 4.7 | 6,200,000 | 4.7 | May 15, 2024 |
| 0.10 | 2,085,000 | 2.7 | 2,085,000 | 2.7 | April 30, 2022 |
| 0.10 | 500,000 | 2.8 | 500,000 | 2.8 | June 22, 2022 |
| 0.10 | 1,000,000 | 3.9 | 1,000,000 | 3.9 | July 31, 2023 |
| 0.15 | 1,000,000 | 3.9 | 1,000,000 | 3.9 | July 31, 2023 |
| 0.20 | 1,000,000 | 3.9 | - | 3.9 | July 31, 2023 |
| 0.25 | 1,000,000 | 3.9 | - | 3.9 | July 31, 2023 |
| | <u>15,135,000</u> | 3.6 | <u>13,135,000</u> | 3.6 | |

During May 2019, the Company granted a total of 6,200,000 stock options exercisable at \$0.08 per share to officers and directors of the Company. During August 2018, the Company granted a total of 4,000,000 stock options to its new Chief Executive Officer. These stock options comprise four tranches of 1,000,000 with exercise prices of each tranche being \$0.10, \$0.15, \$0.20 and \$0.25. The first two tranches vested after one year while the final two tranches vest after two years.

During the year ended August 31, 2019, the Company recorded a total of \$223,269 (fiscal 2018 - \$91,846) in share based compensation expense related to stock options. Share based compensation amounts are included in shareholders' equity as contributed surplus. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during fiscal 2019 and 2018, utilized the following assumptions and values.

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Expected volatility | 80% | 78% |
| Expected option life (in years) | 5.0 | 5.0 |
| Risk-free interest rate | 1.70% | 1.97% |
| Expected dividend yield | Nil | Nil |
| Weighted-average exercise price | 0.08 | 0.18 |
| Weighted-average market price at grant date | 0.04 | 0.07 |
| Weighted-average fair value | 0.02 | 0.03 |

The Company determines expected volatility in relation to both historical Company volatility and by analysis of comparable companies in the mineral exploration sector.

Restricted share unit / Deferred share unit plan ("RSU / DSU Plan")

On June 13, 2013, Company shareholders adopted a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, consultants and non-employee directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The number of shares reserved for issuance for the RSU/DSU Plan and the stock option plan combined shall not exceed 20% of the issued and outstanding common shares on the date of adoption. Under the RSU/DSU Plan, no cash settlements are made as settlement is in common shares only. On June 16, 2017, shareholders of the Company approved an increase in the number of common shares reserved for the RSU/DSU Plan to 9,126,451. Under the terms of the RSU/DSU Plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares; and, to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common shares.

Restricted share units

RSUs are used to compensate participants for their individual performance based achievements and corporate performance, and they are intended to supplement stock option awards. The Company's Compensation Committee may determine the vesting schedule of RSUs at the time of grant. The settlement date shall be no later than the third anniversary of the date of grant and all payments in respect of the vested units shall be paid in full before the end of the same calendar year. Non-vested RSUs are forfeited if the participant voluntarily leaves employment with the Company. On exercise of RSUs, the shares are issued from treasury.

As at August 31, 2019, no RSUs remained outstanding with all prior RSUs having vested and been settled with the issuance of shares. The value of RSUs has been recorded as share based compensation expense in contributed surplus over the vesting period. During the year ended August 31, 2019, a total of \$10,925 (fiscal 2018 - \$69,919) was recorded in share based compensation expense related to RSUs. During October 2018 and May 2019, a total of 239,583 vested RSUs were settled with the issuance of 239,583 common shares valued at \$20,700.

Deferred share units

DSUs have been utilized as a means of reducing the cash payable by the Company for amounts owing to non-executive directors. A DSU is a notional share that has the same value as one share of the Company as at the grant date. DSUs are paid out to directors as common shares when they retire from the Board. As DSUs are equity settled, they are fair valued based on the market value of the shares at the grant date.

As at August 31, 2019, a total of 1,551,694 DSUs are outstanding having been previously granted to directors of the Company. No additional DSUs were granted during the year ended August 31, 2019. During the year ended August 31, 2019, a total of 1,493,220 DSUs were settled with the issuance of 1,493,220 common shares to former directors who had departed from the Board. These shares were valued at \$165,209.

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12. Income taxes

For the years ended August 31, 2019 and 2018 a reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

| | Year ended August 31, 2019 \$ | Year ended August 31, 2018 \$ |
|---|--|--|
| Loss before income taxes | 2,271,145 | 1,727,971 |
| Statutory rate | 26.50% | 26.50% |
| Expected recovery of income tax | (601,853) | (457,912) |
| Permanent differences | 63,386 | 61,418 |
| Foreign tax rate difference | 9,582 | 1,153 |
| Origination and reversal of temporary differences | 528,885 | 395,341 |
| Recovery of income taxes | - | - |

Statutory tax rates presented above reflect the combined Canadian federal and provincial income tax rates enacted as at the Company's fiscal year ends. Significant components of the Company's deferred income tax assets and liabilities are as follows.

| | August 31, 2019 \$ | August 31, 2018 \$ |
|-----------------------------------|--------------------------|--------------------------|
| Deferred income tax assets | | |
| Non-capital loss carry forwards | 3,417,872 | 2,932,528 |
| Asset basis differences | 779,386 | 767,585 |
| Share issue costs | 35,034 | 52,863 |
| | <u>4,232,292</u> | <u>3,752,976</u> |

As at August 31, 2019, no deferred tax asset was recognized related to these non-capital loss carry forward, asset basis difference and share issue cost amounts as realization was not probable. As at August 31, 2019, the Company had loss carry forward balances totalling \$12,947,028 which are available to offset future years' taxable income. Loss carry forward balances in each jurisdiction expire as follows.

| | Canada | | Jamaica | |
|--|--------|-----------|------------|---------|
| | Year | \$ | Year | \$ |
| | 2039 | 1,228,875 | Indefinite | 872,653 |
| | 2038 | 1,197,982 | | |
| | 2037 | 1,147,883 | | |
| | 2036 | 642,323 | | |
| | 2035 | 1,277,248 | | |
| | 2034 | 1,832,709 | | |
| | 2033 | 1,173,019 | | |
| | 2032 | 1,640,594 | | |
| | 2031 | 1,473,847 | | |
| | 2030 | 459,895 | | |

(expressed in Canadian dollars)

13. Related party transactions and compensation of key management

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Chief Financial Officer, Vice President and Director. Compensation awarded to key management has been recorded at the exchange amount, being the amount agreed to by the respective parties, and is with respect to short-term compensation and was conducted in the normal course of business. Amounts are summarized as follows:

| | Year ended August 31, 2019 \$ | Year ended August 31, 2018 \$ |
|--|--|--|
| Chief Executive Officer and President salary | 250,000 | 162,801 |
| Vice-President Corporate Development service contract fees | 144,000 | 52,238 |
| Chief Financial Officer service contract fees | 93,015 | 120,251 |
| Value of RSUs with officers expensed | 10,925 | 37,286 |
| Value of stock options with officers and directors expensed | 223,269 | 91,846 |
| Value of DSUs related to Director board meeting and committee fees | - | 66,250 |
| | <u>721,209</u> | <u>530,672</u> |

As at August 31, 2019, a total of \$17,526 (August 31, 2018 - \$1,480) is included in accounts payable and accrued liabilities with respect to amounts due to key executive management for service contract obligations.

In addition to the above, Rampton Resource Group ("RRG"), a corporation controlled by a former Company director, charged the Company for shared services related to accounting, an office administrator, office rent and related office expenses in the amount of \$42,341 during the six month period ended February 28, 2018. Office rent of \$5,850 included in that total was in accordance with a rental agreement between RRG and a former independent director of the Company. The RRG shared services agreement was terminated effective February 28, 2018.

Certain management service contracts previously included potential entitlements for restricted share unit grants in addition to cash compensation (see note 11). During July 2015, the Board approved a decision that all director fees, if any, would be settled by the issuance of DSUs versus cash.

The Company has management service agreements with each of its President and Chief Executive Officer, Vice President, Business Development and Chief Financial Officer which provide for a payment upon termination without cause. These payments are equivalent to 3 months' compensation for each of these individuals. The service agreements also provide that under certain conditions, including a change in control of the Company, that each of these individuals would be entitled to a lump sum payment equivalent to 6 months' compensation irrespective of whether their services were retained subsequent to the change in control.

14. Financial instruments and risk management

As at August 31, 2019 and 2018, the Company's financial instruments include cash and cash equivalents, restricted deposits, marketable securities, accounts payable and accrued liabilities. Due to the short-term nature of these financial instruments the carrying values approximate their fair values. The Company examines the various financial risks to which it may be exposed and assesses the impact and likelihood of those risks. The Company may be exposed to various financial risks related to credit risk, liquidity risk, price risk and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Company.

Credit risk

Financial instruments that potentially subjects the Company to concentrations of credit risk consists of cash and cash equivalents and restricted deposits. The Company's cash and restricted deposit is held at major Canadian financial institutions in both Canada and Jamaica. The maximum exposure to credit risk is equivalent to the carrying amount. As at August 31, 2019, the Company does not consider any of its financial assets to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through monitoring cash outflows due in its day-to-day business and by regular cash flow forecasting of cash requirements to fund exploration projects and operating costs. As at August 31, 2019, the Company's liabilities included accounts payable and accrued liabilities of \$151,253 all of which are due within normal trade terms of generally 30 days (see note 1, going concern).

Price risk

Marketable securities are subject to price risk relating to the market price and performance of the underlying company in which equity securities are held.

Currency risk

The Company's cash is held in Canadian dollar, Jamaican dollar and US dollar accounts. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates with respect to the US dollar. As at August 31, 2019, the Company held cash in United States dollars of US\$64,229, equivalent to \$85,412 (2018 - US\$5,244, equivalent to \$6,791). The Company has not utilized derivative instruments to reduce its exposure to foreign currency risk.

During the year ended August 31, 2019, the majority of the Company's cash based operating expenses were denominated in Canadian dollars with a total of US\$16,060 (2018 - US\$6,228) denominated in United States dollars. With all other variables held constant, a plus or minus 10% change in the United States / Canadian dollar exchange rate would give rise to a change in reported net loss for the year of plus or minus \$1,606 (2018 - \$623). The use of the 10% rate of change is based on observed historical fluctuations in exchange rates.

Interest rate risk

As at August 31, 2019, the Company does not have any obligations that bear fixed interest rates. The Company is therefore not exposed to the risk of changes in fair value resulting from interest rate fluctuations.

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15. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration property assets are in Jamaica and in Nova Scotia and British Columbia, Canada. Long-term assets by geographic area are as follows:

| | August 31, 2019 | | | August 31, 2018 | | |
|---------|-----------------|--------------------------------|-----------------------------------|-----------------|--------------------------------|-----------------------------------|
| | Equipment | Mineral exploration properties | Deferred exploration expenditures | Equipment | Mineral exploration properties | Deferred exploration expenditures |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Canada | 25,145 | 3,231,987 | 394,755 | 34,347 | 3,303,943 | 327,463 |
| Jamaica | 4,969 | 2,599,503 | 5,028,915 | 5,965 | 3,725,733 | 4,710,277 |
| | <u>30,114</u> | <u>5,831,490</u> | <u>5,423,670</u> | <u>40,312</u> | <u>7,029,676</u> | <u>5,037,740</u> |

16. Capital management

The Company's capital structure is comprised of shareholders' equity. The Company is not subject to externally imposed capital requirements. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs (see note 1, going concern).

The Company monitors its capital structure using future forecasts of cash flows, particularly those related to its exploration programs.

The Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares and warrants. The Company's capital management objectives have remained unchanged over the periods presented in these consolidated financial statements.

17. Supplemental cash flow information

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

| | Year ended August 31, 2019 \$ | Year ended August 31, 2018 \$ |
|---|--|--|
| Exploration expenditures included in accounts payable and accrued liabilities | 13,188 | 31,055 |
| Depreciation of field vehicle and equipment charged to exploration expenditures | 10,126 | 10,327 |
| Interest accrued on bridge loans and promissory notes | - | 35,404 |
| Shares of Tocvan received under option agreement | 50,000 | - |
| Unrealized loss on Tocvan marketable securities (note 6) | 12,500 | - |
| Shares issued for settlement of promissory notes and accrued interest | - | 464,115 |
| Shares issued for vested RSUs | 20,700 | 124,000 |
| Shares issued for vested DSUs | 165,209 | 13,000 |

18. Letter of intent to acquire Latin America Resource Group

During August 2019, the Company entered into a non-binding letter of intent ("LOI") with Latin America Resource Group Limited ("LARG"), a private company holding the Jasperoide copper-gold project located in the Andahuaylas-Yauri belt in Peru. The Jasperoide project consists of interests in 13 exploration concessions covering approximately 7,000 hectares where LARG beneficially owns a 100% interest in eight exploration concessions and is earning a majority interest in five other exploration concessions. Under the terms of the LOI, the companies would complete a merger with the Company acquiring all of the issued and outstanding shares of LARG in exchange for common shares of the Company. LARG shareholders would receive approximately 3.1 Carube common shares (subject to adjustment under certain conditions) for each share of LARG held. LARG stock options would be exchanged for Carube stock options. It is anticipated that LARG shareholders would hold approximately 30.9% of the issued shares of Carube following completion of this transaction and a proposed concurrent private placement financing of \$2.5 million by Carube (see note 19). LARG would have a right to nominate two directors to the Carube board upon completion of the proposed acquisition.

The LOI provides the Company a 90 day exclusivity period to conclude the proposed transaction for consideration of a cash payment of \$75,000 which was paid following the signing of the LOI in August 2019. This amount was recorded in project generation and evaluation expense in the consolidated statement of operations.

It is anticipated that the acquisition of LARG would be accounted for as an asset purchase with the majority of the fair value of the share and other consideration provided allocated to mineral exploration properties net of LARG's identifiable working capital items.

Completion of the proposed transaction is subject to several conditions, including TSX Venture Exchange final acceptance, completion of due diligence, entering into a definitive agreement, and board and shareholder approvals, as necessary.

(expressed in Canadian dollars)

19. Subsequent events

Private placement financing closed in September 2019

During September 2019, the Company completed a private placement financing raising total gross proceeds of \$260,000 with the issuance of 5,200,000 units. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at \$0.08 per share for a period of three years from the closing date of this placement.

Proposed private placement of \$2.5 million

On December 3, 2019, the Company announced that it intends to raise up to \$2.5 million by way of a non-brokered private placement financing of up to 50 million common shares at a price of \$0.05 per common share. Eligible finders may receive a commission of up to 6 percent in cash and finders' warrants equal to 6 percent of the common shares sold to purchasers introduced by the finders. Each finder's warrant will entitle the holder to purchase a common share at a price of \$0.05 per share for a period of two years from the closing date of the placement.