DEEP-SOUTH RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED FEBRUARY 29, 2020

(Expressed in Canadian Dollars)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity’s auditor.

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes		**February 29, 2020**		August 31, 2019
ASSETS					
Current					
Cash		**$**	**27,903**	$	9,929
GST receivable and other			**1,862**		7,946
Prepaid expenses			**50,000**		16,250
Total Current Assets			**79,765**		34,125
Exploration and evaluation assets	3		**5,314,441**		5,165,900
Investment in Associate	4		**315,000**		315,000
Total Assets		**$**	**5,709,207**	$	5,515,025
LIABILITIES AND DEFICIENCY					
Current					
Accounts payable and accrued liabilities		**$**	**367,154**	$	322,981
Consideration payable	5		**370,000**		400,000
Promissory note payable	7		**27,050**		-
Loan payable	6		**-**		35,000
Current portion of convertible debenture	8		**358,294**		345,984
Total Current Liabilities			**1,122,498**		1,103,965
Equity					
Share capital	9		**7,148,679**		6,570,504
Reserves	9		**336,238**		171,100
Equity portion of convertible debt	8		**159,835**		159,835
Deficit			**(3,058,043)**		(2,490,379)
Total Equity			**4,586,709**		4,411,060
Total Liabilities and Equity		**$**	**5,709,207**	$	5,515,025

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Approved on behalf of the Board of Directors:

/s/ Pierre Leveille	/s/ Jean-Luc Roy
Director	Director

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the three months ended February 29,		For the six months ended February 29,	
	2020	2019	**2020**	2019
EXPENSES				
Accretion	**$ 6,155**	$ 6,155	**$ 12,310**	$ 12,310
Consulting fees	**157,486**	31,500	**190,703**	63,880
Interest expense	**2,918**	2,919	**5,837**	5,837
Investor relations	**83,645**	13,375	**118,742**	33,691
Legal, audit and accounting	**4,922**	-	**16,864**	22,621
Office and miscellaneous	**34,411**	10,450	**47,164**	25,157
Regulatory and transfer agent fees	**11,464**	7,734	**14,204**	15,096
Share-based compensation	**161,841**	-	**161,841**	-
Loss before other expenses	**(462,842)**	(72,493)	**(567,663)**	(178,592)
Other expenses				
Property investigation costs (Note 3)	**-**	-	**-**	-
Net loss and comprehensive loss for the period	**$ (462,842)**	$ (72,493)	**$ (567,663)**	$ (178,592)
Loss per common share				
Basic and diluted	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of common shares outstanding				
Basic and diluted	**73,262,346**	60,638,357	**74,174,732**	58,832,943

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Amount $	Share Subscriptions Received $	Reserves $	Equity Portion of Convertible debt $	Deficit $	Total Equity $
Balance, August 31, 2018	**54,778,357**	**5,438,084**	**29,000**	**169,300**	**159,835**	**(2,000,185)**	**3,796,034**
Shares issued in private placement	1,660,000	166,000	(29,000)	-	-	-	137,000
Share issuance costs - cash	-	(1,280)	-	-	-	-	(1,280)
Share issuance costs – warrants	-	(1,800)	-	1,800	-	-	-
Share subscriptions received in advance	-	-	-	-	-	-	-
Shares issued for mineral property	4,200,000	672,000	-	-	-	-	672,000
Shares issued for property investigation	-	-	-	-			-
Share-based compensation	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(178,592)	(178,592)
Balance, February 28, 2019	**60,638,357**	**6,273,004**	**-**	**171,100**	**159,835**	**(2,000,185)**	**4,425,162**
Balance, August 31, 2019	**66,603,357**	**6,570,504**	**-**	**171,100**	**159,835**	**(2,490,379)**	**4,411,060**
Shares issued in private placement	11,726,000	591,300	-	-	-	-	586,300
Share issuance costs - cash	-	(9,828)	-	-	-	-	(9,828)
Share issuance costs – warrants	-	(3,297)	-	3,297	-	-	-
Share-based compensation	-	-	-	161,841	-	-	161,841
Net loss for the period	-	-	-	-	-	(567,663)	(567,663)
Balance, February 29, 2020	**78,329,357**	**7,148,679**	**-**	**336,238**	**159,835**	**(3,058,043)**	**4,586,709**

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the six months ended February 29, 2020	2019
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	**(567,663)**	(178,592)
Items not affecting cash:		
Accretion	**12,310**	12,310
Share based compensation	**161,841**	-
Changes in non-cash working capital items:		
Prepaid expense	**(33,750)**	(40,750)
GST receivable and other	**6,084**	4,802
Accounts payable and accrued liabilities	**44,171**	86,187
Net cash used in operating activities	**(377,007)**	(116,043)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration & evaluation assets	**(148,541)**	-
Net cash used in investing activities	**(148,541)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement, net of costs	**581,472**	116,100
Exercise of warrants	**-**	-
Promissory note payable	**27,050**	-
Repayment of loan payable	**(65,000)**	-
Net cash provided by financing activities	**543,522**	116,100
Change in cash during the period	**17,974**	57
Cash, beginning of period	**9,929**	10,543
Cash, end of period	**27,903**	10,600

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Deep-South Resources Inc. (the "Company") is a development stage company incorporated on April 24, 1987 under the laws of British Columbia. The Company's head office is located at #888-700 West Georgia Street, Vancouver, BC, V7Y 1G5 and is listed on the TSX Venture Exchange ("TSX-V") under the symbol "DSM". The Company is in the business of exploring and evaluating mineral properties located in Africa, and Turkey.

The Company's interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events may cast significant doubt on the validity of this assumption. The Company incurred net loss of $567,663 for the period ended February 29, 2020 (2019: $178,592 loss) and had an accumulated deficit $3,058,043 (2019: $2,000,185).

These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited interim financial statements are based on IFRSs issued and outstanding as of April 29, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited interim financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2020 could result in restatement of these unaudited consolidated interim financial statements.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following entities:

- Haib Minerals (Pty) Ltd., a wholly-owned subsidiary of Deep-South Mining (PTY) Ltd.
- #1054137 BC Ltd., a wholly-owned subsidiary
- Deep South Mining (PTY) Ltd., wholly owned subsidiary of 1054137 BC Ltd.

All significant intercompany transactions and balances have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's proportionate share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss for the period. Distributions received from an associate are accounted for as a reduction to the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs

(e) Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalent using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

(f) Cash and Cash Equivalents

Cash comprises cash on deposit and cash held in trust. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. As of February 29, 2020 and August 31, 2019, there were no cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments

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

Financial Instrument	**Original classification – IAS 39**	**New classification – IFRS 9**
Cash	Loans and receivables	FVTPL
Accounts payable and accrued liabilities	Other payables	Amortized Cost
Consideration payable	Other payables	Amortized Cost
Loan payable	Other payables	Amortized Cost
Convertible debenture	Other payables	Amortized Cost

<u>Financial assets</u>
The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Amortized cost - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

Fair value through profit or loss ("FVTPL") - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL. The Company has classified its cash as FVTPL.

Fair value through other comprehensive income ("FVOCI") - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of operations for the year.

<u>Financial liabilities</u>
Management determines the classification of its financial liabilities at initial recognition.

Amortized cost - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets

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 to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

(h) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management’s judgment that none of the Company’s exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Long-Lived Assets

Management is required to assess impairment in respect of capitalized exploration and evaluation assets. Note 3 discloses the carrying value of these assets at each reporting period. The triggering events for the impairment of exploration and evaluation assets are defined in IFRS 6 Exploration for and Evaluation of Mineral Resources and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- Impairment of exploration and evaluation assets is assessed at the cash generating unit (“CGU”) level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used each of its mineral properties to establish its CGUs.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. All impairment losses are recognized in profit or loss.

(j) Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, with any excess value allocated to the warrants. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(k) Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at February 29, 2020 and August 31, 2019.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(l) Significant accounting judgments and estimates

The preparation of these financial statements require management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require significant judgments and estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, deferred tax assets, the inputs and assumptions used in the valuation of convertible debt, and accounting for the investment in associate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income taxes

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

Deferred taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position reporting date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting or taxable profit or loss.

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

(n) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in the share-based payments reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of operations and comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

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

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Recently Adopted Accounting Policy Changes

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This new standard does not have a significant impact on the Company's financial statements.

Future Accounting Policy Changes

New Standard IFRS 16 "Leases"
IFRS 16 contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard will not have a significant effect on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. EXPLORATION & EVALUATION ASSETS

	Haib Property, Namibia	Kapile Tepe Property, Turkey	Total
	$	$	$
Balance, August 31, 2018	**4,761,794**	**-**	**4,761,794**
Acquisition	-	119,596	119,596
Geological	282,128	2,382	284,510
Balance, August 31, 2019	**5,043,922**	**121,978**	**5,165,900**
Geological	148,541	-	148,541
Balance, February 29, 2020	**5,192,463**	**121,978**	**5,314,441**

<u>Haib Property, Namibia</u>

The Company, through its wholly owned subsidiary, Haib Minerals (PTY) Ltd., holds an exclusive prospecting license for the Company's Haib copper project in the south of Namibia.

3. EXPLORATION & EVALUATION ASSETS (continued)

Kapile Tepe Property, Turkey

Concurrent with the closing of the transaction relating to the Company's investment in associate (Note 4), the Company also issued 700,000 shares at a price of $0.09 per share for all previous exploration and metallurgical data on the Project. The fair value of the shares was estimated to be $63,000.

On July 7, 2019, the Company issued 500,000 shares at a price of $0.09 per share to acquire certain leaching technologies to be used at the Kapile Tepe Property valued at $45,000

4. INVESTMENT IN ASSOCIATE

RCR Quantum

On May 7, 2019, the Company acquired a 75% interest in RCR Quantum, a Turkish company which holds the Kapili Tepe Project comprising one mining license and two exploration licenses in the Sivas Province in Turkey. As consideration, the Company issued 3,500,000 common shares at a price of $0.09 per share with a fair value of $315,000. The shares issued to the Seller are restricted of trading for a period of 3 years. 1/6 of the shares (583,333 shares) become unrestricted every six months starting on May 1st, 2019.

Management has determined that they do not have control over RCR Quantum as the Company lacks the practical ability to exercise control over RCR Quantum, therefore the acquisition has been treated as an investment in associate under IAS 28. Consequently, the investment in associate is accounted for using the equity method, with an acquisition value of $315,000.

The acquisition agreement carries the following commitments:

Upon closing of a first financing in excess of $1,000,000, the Company will pay a further $110,000 to the previous holder of the Project.

Upon completion of a NI 43-101 resources report estimating an inferred resource totalling a minimum of 20 million tonnes at a minimum grade of 1% Cu equivalent, the Company is required to issue common shares valued at CAD $2,000,000 to the previous holder of the project. Further, the Company is obligated to buy back Turkish Lyra ("TRY") 2,400,000 of a TRY 3,800,000 loan from Quantum, in cash or shares, at the election of the original loanee. The Company has no obligation to buy back the loan until a NI 43-101 compliant resource estimates a minimum inferred resource of 20 million tonnes at a minimum of 1% Cu equivalent.

If the NI 43-101 resource estimation states an inferred resource totalling a minimum of 100 million tonnes at a minimum grade of 1% Cu equivalent, the Company is required to issue additional common shares valued at CAD $2,000,000. Further, the Company is obligated to buy back the remaining TRY 1,400,000 of a TRY 3,800,000 loan from Quantum, in cash or shares, at the election of the Company. The Company has no obligation to buy back the balance of the loan until a NI 43-101 compliant resource estimates a minimum inferred resource of 100 million tonnes at a minimum of 1% Cu equivalent.

(Expressed in Canadian Dollars)

4. INVESTMENT IN ASSOCIATE (continued)

The summary financial information of RCR Quantum as at the acquisition date is as follows:

Cash	**$**	**-**
Current assets, other than cash	**$**	**235,137**
Non-current assets	**$**	**465,682**
Current liabilities	**$**	**1,189,365**
Comprehensive loss	**$**	**(203)**

5. CONSIDERATION PAYABLE

Haib Minerals (Pty) Ltd.

On May 5, 2017, the Company acquired the remaining 70% interest in Haib Minerals (PTY) Ltd. through a share Purchase Agreement for total consideration of $3.212 million. The consideration was comprised of 14,060,000 common shares of the Company (each share valued at $0.20 on the date of issue) and $400,000 as consideration payable in two transfers ($200,000 due on the first anniversary and $200,000 due on the second anniversary). As of February 29, 2020, $30,000 of the consideration payable was paid.

6. LOAN PAYABLE

On January 30, 2017, the Company entered into a bridge loan agreement for working capital purposes and received $50,000. The loan is unsecured, bears interest at 10% per annum, and was due on January 31, 2019. The Company repaid $15,000 of the principal balance on January 16, 2018. As at February 29, 2020, the balance was repaid.

7. PROMISSORY NOTE PAYABLE

On February 25, 2020, the Company signed a promissory note with a former director, which converts monies previously owing to a note payable on demand in the amount of $27,050. The note is unsecured, bears interest at 10% per annum.

8. CONVERTIBLE DEBTENTURE

The Company classified the convertible debenture into debt and equity components based on the residual method. The liability component was calculated as the present value of the principal and interest, discounted at a rate approximating the interest rate that was estimated to have been applicable to a non-convertible debenture at the time the debenture was issued. This portion of the convertible debenture is accreted over its term to the full face value using the effective interest rate method. The equity element of the convertible debenture comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component is reclassified to reserves.

On August 30, 2016, as part of the remaining debt settlement of the loan agreement between Deep South Minerals (PTY) Ltd. and Teck Namibia, the Company issued a convertible debenture (“debenture”) to Teck Resources. The debenture bears interest on the outstanding principal amount at a rate of LIBOR plus 2% per annum with the principal due at maturity (48 months from the date of issuance.). The debenture is payable in cash or at the option of the Company, the principal and accrued interest is convertible into shares in the Company at a price of $0.14 per share. The debenture holder may also redeem the principal and any accrued but unpaid interest up to the maturity date.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBTENTURE (continued)

In the event that the Company receives "Net Cash Proceeds," defined as either an asset sale, issuance of equity securities, or incurrence of debt, a mandatory redemption will occur resulting in the debenture being converted into common shares in the Company as follows:

- for the portion of Net Cash Proceeds of up to but not including $100,000, the Company shall redeem a principal amount of this debenture equal to 30% of such net proceeds;
- for the portion of Net Cash Proceeds between $100,000 up to but not including $200,000, the Company shall redeem a principal amount of this debenture equal to 40% of such net proceeds;
- for the portion of Net Cash Proceeds between $200,000 up to but not including $300,000, the Company shall redeem a principal amount of this debenture equal to 50% of such net proceeds; and
- for the portion of Net Cash Proceeds over $300,000, the Company shall redeem0. a principal amount of this debenture equal to 50% of such net proceeds.

	February 29, 2020	August 31, 2019
	$	$
Beginning balance	**345,984**	300,585
Accretion	**12,310**	45,399
Ending balance	**358,294**	345,984

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

For the six months ended February 29, 2020

On December 23, 2019, the Company closed the first tranche of a non-brokered private placement comprising 5,346,000 Units at a price of $0.05 per Unit for gross proceeds of $267,300. Each Unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring December 23, 2024.

On January 22, 2020, the Company closed the second tranche of a non-brokered private placement comprising 6,380,000 Units at a price of $0.05 per Unit for gross proceeds of $319,000. Each Unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring January 22, 2025.

On January 29, 2020, the Company closed the final tranche of a non-brokered private placement comprising 100,000 Units at a price of $0.05 per Unit for gross proceeds of $5,000. Each Unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring January 22, 2025.

For the non-brokered private placement the Company paid a total of $4,940 in aggregate cash finder's fees and issued 92,800 broker warrants. These warrants entitle the holder to purchase one share for $0.09 for a period of five years from the date of closing. These warrants issued had a fair value of $3,297 using the Black Scholes model with the following inputs: i) exercise price: $0.09; ii) share price: $0.05; iii) term: 5 years; iv) volatility: 122%; v) discount rate: 1.60%. The value of these compensation warrants is included in reserves and share capital.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

For the year ended August 31, 2019

On November 22, 2018, the Company closed a non-brokered private placement and issued 1,660,000 units at a price of $0.10 per unit for gross proceeds of $166,000. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share of the Company at $0.20 per common share for a period of 36 months from the date of closing. The Company paid cash finders' fees of $1,280 and issued 12,800 compensation warrants in connection with this private placement. The compensation warrants carry the same terms and conditions as the private placement warrants

On March 5, 2019, the Company closed the second tranche of its private placement by issuing 5,465,000 Units for total gross proceeds of $546,500. Each unit is comprised of one common share and one half warrant. Each full warrant entitles the holder to purchase one common share of the Company at $0.20 per common share for a period of 36 months from the date of closing.

On May 7, 2019, the Company issued 3,500,000 shares at a price of $0.09 per share relating to the acquisition of RCR Quantum (See note 5). Concurrent with the closing of the transaction, the Company also issued 700,000 shares at a price of $0.09 per share for all previous exploration and metallurgical data on the Project valued at $63,000.

On July 7, 2019, the Company issued 500,000 shares at a price of $0.09 per share to acquire certain leaching technologies to be used at the Kapile Tepe Property valued at $45,000.

(c) Stock options

The Company has a rolling stock option plan whereby a maximum of 10% of the issued common shares will be reserved for issuance under the plan. The following table summarizes the Company's stock option activities for the following periods:

	Number of Options	**Weighted Average Exercise Price**
		$
Options outstanding and exercisable, August 31, 2018	**925,000**	**0.25**
Expired	(350,000)	0.25
Options outstanding and exercisable, August 31, 2019	**575,000**	**0.25**
Expired	(575,000)	0.25
Granted	2,850,000	0.09
Options outstanding and exercisable, February 29, 2020	**2,850,000**	**0.09**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(c) Stock options (continued)

As at February 29, 2020, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
February 24, 2025	$0.09	2,850,000	4.99

(d) Warrants

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, August 31, 2018	**3,306,400**	**0.26**
Granted	3,575,300	0.20
Expired	(1,494,600)	0.21
Balance, August 31, 2019	**5,387,100**	**0.23**
Granted	5,414,800	0.09
Granted	6,380,000	0.09
Granted	124,000	0.09
Balance, February 29, 2020	**17,305,900**	**0.14**

As at February 29, 2020, the Company has warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding
	$	
October 31, 2020	0.30	399,300
December 8, 2020	0.30	475,500
May 8, 2021	0.30	937,000
November 22, 2021	0.20	842,800
March 5, 2022	0.20	2,732,500
December 23, 2024	0.09	5,414,800
January 22, 2025	0.09	6,380,000
January 29, 2025	0.09	124,000
		17,305,900

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(d) Compensation Warrants

In the November 22, 2018 private placement, the Company issued 12,800 compensation warrants as finder's fees. These warrants entitle the holder to purchase one share for $0.20 for a period of three years from the date of closing. These warrants issued had a fair value of $1,800 using the Black Scholes model with the following inputs: i) exercise price: $0.20; ii) share price: $0.16; iii) term: 3 years; iv) volatility: 111%; v) discount rate: 0.66%. The value of these compensation warrants is included in reserves and share capital.

In the December 23, 2019 private placement, the Company issued 68,800 compensation warrants as finder's fees. These warrants entitle the holder to purchase one share for $0.09 for a period of five years from the date of closing. These warrants issued had a fair value of $2,150 using the Black Scholes model with the following inputs: i) exercise price: $0.09; ii) share price: $0.05; iii) term: 5 years; iv) volatility: 122%; v) discount rate: 1.60%. The value of these compensation warrants is included in reserves and share capital.

In the January 29, 2020 private placement, the Company issued 24,000 compensation warrants as finder's fees. These warrants entitle the holder to purchase one share for $0.09 for a period of five years from the date of closing. These warrants issued had a fair value of $2,150 using the Black Scholes model with the following inputs: i) exercise price: $0.09; ii) share price: $0.05; iii) term: 5 years; iv) volatility: 122%; v) discount rate: 1.60%. The value of these compensation warrants is included in reserves and share capital.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	Ref.	**February 29, 2020**	August 31, 2019
			$	$
Other financial assets	1	a	**27,903**	9,929
Other financial liabilities	2	b	**1,122,498**	1,103,965

a. Comprises cash
b. Comprises accounts payable and accrued liabilities, loan payable, consideration payable and convertible debenture.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. Liquidity risk has been assessed as being low.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk
The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its related party balances.

Price Risk
The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as cash and equity, comprising issued common shares and reserves.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There was no change to the Company's capital management approach during the period.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the directors and officers of the Company. Compensation and expenses paid to key management for the following periods:

	February 29, 2020	February 28, 2019
	$	$
Consulting fees	**39,300**	63,880

Included in accounts payable and accrued liabilities is $78,329 (2019 - $140,451) owed to companies controlled by directors or officers as at February 29, 2020.

13. SEGMENTED INFORMATION

a) Operating Segments

The Company's operations are primarily dedicated towards the acquisition, exploration, and development of its properties in Turkey and Namibia.

b) Geographic Segments

The Company's geographic information:

		February 29, 2020		August 31, 2019
Net loss from operations:				
Canada	**$**	559,995	$	490,194
Turkey		-		-
Namibia		-		-
	$	559,995	$	490,194

		February 29, 2020		August 31, 2019
Identifiable assets				
Canada	**$**	79,766	$	34,126
Turkey		436,978		436,978
Namibia		5,192,463		5,043,921
	$	5,709,207	$	5,515,025
Liabilities				
Canada	**$**	1,117,359	$	1,098,826
Turkey		-		-
Namibia		5,139		5,139
	$	1,122,498	$	1,103,965

14. TAX LOSSES

The Company has non-capital losses carried forward for income tax purposes of approximately $5,446,995 (2019 - $4,887,000) which can be applied against future years' taxable income. These losses will expire between 2026 and 2039. Deferred tax benefits which may arise as a result of the utilization of non-capital losses and cumulative exploration and development expenses have been offset by deferred tax assets not recognized in these financial statements.

15. COMMITMENTS

On February 25, 2019, the Company signed an off-take agreement with a third party ("the Buyer"). The buyer agreed to purchase 5,320,000 units in the Company's March 5, 2019 private placement (see note 8) for gross proceeds of $532,000. The buyer and the Company plan to construct and operate a copper mine and a solvent-extraction and electro winning plant ("the Plant") on the Company's Haib property. In consideration of the buyer making the investment, the Company has guaranteed to sell, or make available to the buyer, 20% of the output produced by the Company's proposed plant, and in any event, a minimum of 20,000 metric tonnes from commencement of the plant and thereafter throughout the lifetime of the plant.

16. SUBSEQUENT EVENT

On April 2, 2020, the Company closed a non-brokered private placement comprising 1,348,000 Units at a price of $0.05 per Unit for gross proceeds of $67,400. Each Unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring April 2, 2025.