



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018**

(Expressed in Canadian Dollars)

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Tres-Or trades on the TSX Venture Exchange under the symbol TRS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tres-Or Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Tres-Or Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficiency at February 28, 2019 of \$534,008 and a deficit of \$16,061,608. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

June 28, 2019

TRES-OR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2019	February 28, 2018
ASSETS			
Current assets			
Cash		\$ 51,389	\$ 157,750
Marketable securities	3	22,698	28,869
Receivables	4	11,459	57,278
Total current assets		85,546	243,897
Non-current assets			
Receivables	4	177,212	-
Exploration and evaluation assets	5	3,087,056	3,154,596
Total non-current assets		3,264,268	3,154,596
TOTAL ASSETS		\$ 3,349,814	\$ 3,398,493
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 223,290	\$ 198,617
Accounts payable to related parties	7	396,264	210,615
Loans payable	6	-	174,375
Total current liabilities		619,554	583,607
Non-current liabilities			
Loans payable	6	131,780	-
Total non-current liabilities		131,780	-
TOTAL LIABILITIES		751,334	583,607
EQUITY			
Share capital	8	16,378,631	16,373,322
Equity reserves	8	2,272,453	2,231,985
Accumulated other comprehensive income	3	9,004	15,175
Deficit		(16,061,608)	(15,805,596)
TOTAL EQUITY		2,598,480	2,814,886
TOTAL LIABILITIES AND EQUITY		\$ 3,349,814	\$ 3,398,493

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

Approved by the Board of Directors on June 28, 2019:

“Gareth E. Mason ”
Director

“Laura Lee Duffett”
Director

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

TRES-OR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

	Note	Years ended	
		February 28,	
		2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting fees		\$ 31,850	\$ 43,773
Interest on loans payable		432	-
Management fees	7	54,000	54,000
Office and miscellaneous		652	22,632
Professional fees	7	90,530	65,557
Transfer agent and regulatory fees		16,931	15,431
Travel and promotion	7	94,000	67,178
Share based payments	8	-	536,229
		(288,395)	(804,800)
Interest on outstanding receivables	5	6,583	-
Gain on debt settlement		25,800	-
Settlement of flow through share premium liabilities		-	30,000
Write-down of mineral properties		-	(9,007)
Loss for the year		(256,012)	(783,807)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on marketable securities	3	(6,171)	5,080
Total comprehensive loss for the year		\$ (262,183)	\$ (778,727)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.07)
Weighted average number of common shares outstanding – basic and diluted		10,693,995	10,641,626

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

TRES-OR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Shares Subscribed	Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – February 28, 2017	10,413,463	\$ 16,252,234	\$ (14,167)	\$ 1,695,756	\$ 10,095	\$ (15,021,789)	2,922,129
Private placement	230,000	115,000	-	-	-	-	115,000
Share issuance costs	-	(9,745)	-	-	-	-	(9,745)
Exercise of warrants	60,000	30,000	-	-	-	-	30,000
Return to treasury	(14,167)	(14,167)	14,167	-	-	-	-
Unrealized gain on marketable securities	-	-	-	-	5,080	-	5,080
Share based payments	-	-	-	536,229	-	-	536,229
Loss for the year	-	-	-	-	-	(783,807)	(783,807)
Balance – February 28, 2018	10,689,296	16,373,322	-	2,231,985	15,175	(15,805,596)	2,814,886
Exercise of options	5,000	5,309	-	(2,559)	-	-	2,750
Inferred benefit of non-interest bearing loan (Note 6)	-	-	-	43,027	-	-	43,027
Unrealized loss on marketable securities	-	-	-	-	(6,171)	-	(6,171)
Loss for the year	-	-	-	-	-	(256,012)	(256,012)
Balance – February 28, 2019	10,694,296	\$ 16,378,631	\$ -	\$ 2,272,453	\$ 9,004	\$ (16,061,608)	\$ 2,598,480

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

TRES-OR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (256,012)	\$ (783,807)
Items not affecting cash		
Gain on debt settlement	(25,800)	-
Interest on loans payable	432	-
Accrued Interest Income	(6,583)	-
Settlement of flow through share premium liabilities	-	(30,000)
Share based payments	-	536,229
Write-down of mineral properties	-	9,007
Changes in non-cash working capital items		
Receivables	1,843	(5,587)
Accounts payable and accrued liabilities	76,702	11,937
Accounts payable to related parties	90,055	1,696
Net cash used in operating activities	<u>(119,363)</u>	<u>(260,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(158,517)	(259,643)
Recovery of exploration and evaluation assets expenditures	70,273	-
Option payments received	100,000	100,000
Net cash provided by (used in) investing activities	<u>11,756</u>	<u>(159,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	115,000
Share issuance costs	(1,504)	(13,190)
Proceeds from exercise of warrants	-	30,000
Proceeds from exercise of options	2,750	-
Net cash provided by financing activities	<u>1,246</u>	<u>131,810</u>
Change in cash	(106,361)	(288,358)
Cash, beginning of the year	<u>157,750</u>	<u>446,108</u>
Cash, end of the year	\$ 51,389	\$ 157,750

Supplemental disclosure with respect to cash flows (Note 12)

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

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Tres-Or Resources Ltd. (the “Company”) was incorporated under the laws of the Province of British Columbia and is in the business of exploration and evaluation of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company’s head office and registered office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada.

The consolidated financial statements are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company and its subsidiary.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has a working capital deficiency at February 28, 2019 of \$534,008 (2018 - \$339,710) and a deficit of \$16,061,608 (2018 - \$15,805,596). The Company has not generated revenue from operations; additional financing will be required in the foreseeable future to fund the Company’s established business plan. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company’s ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

Subsequent to February 28, 2019, the Company consolidated its share capital on a ten for one basis. These consolidated financial statements reflect the share consolidation retroactively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of February 28, 2019.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly owned subsidiary, Temagami-Diamonds Ltd. which is incorporated in Canada. All significant intercompany balances and transactions have been eliminated upon consolidation.

Name of subsidiary	Incorporation	Interest February 28, 2019	Interest February 28, 2018
Temagami-Diamonds Ltd.	Canada	100%	100%

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. whether or not an impairment has occurred in its exploration and evaluation assets;
- ii. the inputs used in the accounting for share-based payments expense; and
- iii. the inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

Critical accounting judgments

Examples of significant judgments, apart from those involving estimation, include:

- the accounting policies for exploration and evaluation assets; and
- classification of financial instruments.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written-down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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

Provisions for Environmental Rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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

Loss per Share

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Warrants

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Flow-Through Common Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subjected to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Exchange

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

New accounting standards and interpretation

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not early adopted IFRS 16 and is currently evaluating the impact, if any, that this standard might have on its consolidated financial statements.

New Accounting Standards Adopted during the year

IFRS 9 – Financial Instruments ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 – Financial Instruments ("IFRS 9") as of February 28, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards and interpretation (Cont'd)

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at February 28, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	Available-for-sale	FVTOCI
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on February 28, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards and interpretation (Cont'd)

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

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 profit or loss.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on March 1, 2018 and did not have an impact on the consolidated financial statements.

3. MARKETABLE SECURITIES

Marketable securities are recorded at fair value through profit and loss and are comprised of the following:

	February 28, 2019			February 28, 2018		
	Common shares	Market value	Cost	Common shares	Market value	Cost
Arctic Star Exploration Corp.	6,945	\$ 278	\$ 50,000	6,945	\$ 1,320	\$ 50,000
Orla Mining (formerly Pershimco Resources Inc.)	19,000	22,420	67,250	19,000	27,549	67,250
Battery Mineral Resources Pty Ltd.	30,000	-	-	30,000	-	-
		\$ 22,698	\$ 117,250		\$ 28,869	\$ 117,250

During the year ended February 28, 2019, the Company recognized an unrealized loss on marketable securities of \$6,171 (2018 – \$5,080 gain). The fair value of the shares from Battery Mineral Resources Pty Ltd. is determined to be \$Nil.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables arise from two main sources: cost recoveries receivable and goods and services tax ("GST") and Quebec sales tax ("QST") receivable due from the Canadian taxation authorities.

	February 28, 2019	February 28, 2018
Current		
Interest receivable (Note 5)	\$ 6,583	\$ 50,559
GST and QST receivable	4,876	6,719
	\$ 11,459	\$ 57,278
Non-current		
Cost recoveries receivable (Note 5)	\$ 177,212	\$ -
	\$ 177,212	\$ -

5. EXPLORATION AND EVALUATION ASSETS

	Fontana and Duvay Gold Projects, Quebec	Diamond Projects	Other Projects, Quebec	Total
Balance, February 28, 2017	\$ 1,084,457	\$ 1,660,889	\$ 517,753	\$ 3,263,099
Expenditures				
Acquisition costs	97,867	7,950	513	106,330
Assays, staking, mapping	189,509	256	-	189,765
Drilling	233,960	-	-	233,960
Field work	54,863	-	361	55,224
Geological and geophysical	267,180	4,127	53,756	325,063
Office, miscellaneous and travel	60,326	1,475	-	61,801
	903,705	13,808	54,630	972,143
Mining tax credits and cost recoveries	(813,127)	-	-	(813,127)
Option Payments	(150,000)	(8,512)	(100,000)	(258,512)
Write-down of mineral properties	-	(9,007)	-	(9,007)
	(59,422)	(3,711)	(45,370)	(108,503)
Balance, February 28, 2018	1,025,035	1,657,178	472,383	3,154,596
Expenditures				
Acquisition costs	60,161	4,605	-	64,766
Assays, staking, mapping	883	-	-	883
Drilling	2,925	-	-	2,925
Geological and geophysical	126,918	9,000	18,000	153,918
Office, miscellaneous and travel	-	309	-	309
	190,887	13,914	18,000	222,801
Mining tax credits and cost recoveries	(188,607)	(458)	(1,276)	(190,341)
Option Payments	-	-	(100,000)	(100,000)
	2,280	13,456	(83,276)	(67,540)
Balance, February 28, 2019	\$ 1,027,315	\$ 1,670,634	\$ 389,107	\$ 3,087,056

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its assets are in good standing.

a) Fontana and Duvay Gold Projects, Quebec, Canada

Fontana Gold Project

On November 9, 2011, the Company entered into an option agreement (the "Option") with Globex Mining Enterprises Inc. ("Globex") to acquire the interests of certain mineral claims in Quebec, being a 75% interest in 16 claims and a 100% interest in a further 7 claims, collectively known as the Fontana Gold Project ("Fontana"). The interests of Globex in Fontana are subject to a 3.0% Gross Metals Royalty ("GMR") and the 16 claims held by Globex as to 75% are also subject to a 15% Net Profits Interest ("NPI").

In order to exercise the option the Company is required to pay Globex \$400,000 (paid) and is required to purchase the NPI from Globex for a total of \$1,200,000, payable in increments over 84 months (\$50,000 paid).

During the year ended February 28, 2015, the Company and Globex made certain amendments to the Fontana Property Option Agreement dated November 9, 2011 which are subject to the satisfaction of certain conditions. The amended payment schedule under the Fontana NPI acquisition agreement terms is as follows:

- November 30, 2014 - \$50,000 cash payments (paid)
- November 30, 2015 - \$50,000 cash payments (paid)
- November 30, 2016 - \$50,000 cash payments (paid)
- November 30, 2017 - \$50,000 cash payments (paid)
- November 30, 2018 - \$50,000 cash payments (paid)
- November 30, 2019 - \$100,000 cash payments
- November 30, 2020 - \$200,000 cash payments
- November 30, 2021 - \$200,000 cash payments

During the year ended February 29, 2012 and February 28, 2013, the Company purchased additional Duvay Gold Project claims. Certain of the claims have various underlying royalties.

In April 2012, the Company entered into an option agreement with Merrex Gold Inc. ("Merrex"), wherein the Company was granted an option to acquire Merrex's 25% interest in 16 mineral claims in Duvernay Township, Quebec, forming part of the Fontana Gold Project. The claims are subject to a 15% NPI in favour of Globex. In order to exercise the option, the Company paid to Merrex a total of \$300,000 as at February 28, 2014 and was required to make the final payment of \$125,000 during fiscal 2016 to complete the acquisition of Merrex's 25% in the claims.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

a) Fontana and Duvay Gold Projects, Quebec, Canada (Cont'd)

Duvay Gold Project

On May 23, 2010, the Company signed an option agreement to earn up to a 100% interest in the Duvay property in Quebec which comprises 4 contiguous claims in Duvernay Township. The 4 claim property is subject to a GMR of 1.5% (where gold is US\$800 per ounce or less) and 2% (where gold is greater than US\$800 per ounce).

During the year ended February 28, 2013, the Company earned a 65% interest in the Duvay property. The Company can earn a further 15% interest for a total 80% interest by incurring \$4,000,000 in exploration expenditures. The Company has the right to acquire the remaining 20% interest by effecting a merger, amalgamation or other form of business combination with the optionor, or the Company can purchase any or all of the 20% interest by paying the sum of \$1,000,000 for each 1% interest in the property to be purchased.

The Company has a 100% interest in additional claims known as the Duvay Nord and East Mac Sud properties that form part of the Duvay Gold Project. The optionor retains a 2.0% net smelter return ("NSR") and the Company has the right to purchase 1.0% of the NSR for \$1,000,000 and retains the first right of refusal to purchase the remaining 1.0% NSR.

During the year ended February 29, 2016, the Company and Secova Metals Corp. ("Secova") executed an option agreement to option up to a 90% interest in the Duvay Gold Project. Under the agreement, the Company grants Secova the sole and exclusive right and option to acquire a 65% right, title and interest in and to the Duvay claims by paying to the Company the sum of \$500,000 and incurring \$3,750,000 in exploration expenses over a four year period. Secova can earn the full 90% of the property (an additional 25% ownership) by funding a pre-feasibility study and making aggregate expenditures of \$12,000,000 to bring the property towards production.

To earn the initial 65% interest in the project, Secova will be required to make the cash payments and exploration expenditures as follows:

- a. Secova pays the Company the sum of \$15,000 on execution of the term sheet (December 30, 2014) (received);
- b. Secova pays the Company the sum of \$60,000 on the date of execution of the Agreement (received);
- c. Secova pays the Company the sum of \$125,000 on the first anniversary of the execution of the term sheet (acknowledged received under the Amended and Restated Option Agreement of September 2016);
- d. Secova pays the Company the sum of \$300,000 on the second anniversary of the execution of the term sheet (acknowledged received as per the February 2017 Amendment Letter to the Agreement);
- e. Secova will incur \$500,000 in exploration during the 18 month period following the execution of the term sheet (deemed to have been satisfied under the Amended and Restated Option Agreement of September 2016);
- f. Secova will incur a further \$750,000 in exploration during the 24 month period following the execution of the term sheet (work complete, payments due from Secova) ;
- g. Secova will incur a further \$1,000,000 in exploration by the third anniversary of the execution of the term sheet (not complete); and
- h. Secova will incur a further \$1,500,000 in exploration by the fourth anniversary of the execution of the term sheet (terminated).

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

a) Fontana and Duvay Gold Projects, Quebec, Canada (Cont'd)

During the year ended February 28, 2017, the Company executed an Amended and Restated Option Agreement (the "Amended Agreement") to earn up to a 90% interest in the consolidated Duvay Gold Project. Under the Amended Agreement, the Company grants Secova the sole and exclusive right and option to acquire an undivided 65% right, title and interest in the Duvay Gold Project by paying the Company the sum of \$500,000 (received), and incurring \$3,250,000 in exploration expenses over a 36 month period. Under the new arrangements, the Company and Secova have consolidated the 105 Duvay claims and Secova transferred all interest in the 69 Chenier claims to the Company, forming a large and contiguous Duvay land package, where Secova will complete \$750,000 in exploration expenditures by the end of September 2017 (completed). Secova can earn an additional 25% ownership by funding a pre-feasibility study and making aggregate expenditures of \$12 million to bring the property towards production. Secova will act as operator and in circumstances where Secova earns a 90% interest in the Duvay Gold Project, then the Company would revert to a 10% carried interest through to commercial production. In addition, Secova would grant the Company the right to receive a resource payment (the "Resource Payment") based on the initial NI 43-101 compliant resource estimate on the claims. The Resource Payment will be equal to \$30 for each gold ounce equivalent categorized as "measured", \$25 for each gold ounce categorized as "indicated", and \$15 for each gold ounce categorized as "inferred" to be paid from proceeds of commercial production after deducting operating costs and other senior payments. If Secova chooses to remain at a 65% ownership interest, then a joint venture will be formed with the Company and the Resource Payment would be payable within 180 days of the joint venture formation.

In February 2017, the Company and Secova executed a Letter Agreement whereby, Secova appointed the Company as Operator effective January 1, 2017 to advance the exploration and drilling programs planned. The Company will provide logistical, technical and geologic services and reporting. Secova has agreed to pay an administrative fee equal to 10% of the Exploration Expenditures.

In September 2018, the Company gave Secova 30 days notice of default under the Amended Agreement alleging failure to incur \$1,000,000 of Expenditures by June 30, 2018.

In November 2018, the Company gave Secova notice of termination of the Amended and Restated Option Agreement on the Duvay-Chenier Property on the basis that Secova has failed to incur Expenditures required to exercise the Option within the time prescribed under the Agreement. Further, there remains \$177,212 of outstanding indebtedness of Secova to the Company for expenditures the Company incurred on behalf of Secova relating to exploration of the Duvay-Chenier property. The Company recorded an interest income of \$6,583 with respect to this outstanding receivable. The debt remain due and owing notwithstanding the termination of the Option Agreement.

b) Other Projects, Quebec, Canada

During the year ended February 28, 2017, the Company entered into an agreement with Sementiou Inc. to purchase all of the 2.0% NSR interest in the Fabre claims for \$15,000 (paid).

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

b) Other Projects, Quebec, Canada (Cont'd)

During the year ended February 28, 2017, the Company entered into a Property Option Agreement (the "Agreement") with Battery Mineral Resources Pty Ltd. (the "Optionor") to acquire the Company's 100%-owned Fabre Cobalt-Silver Property. Under the terms of the Agreement, the Optionor can earn up to 100% of the Fabre Project over a two year period subject to a 2.0% GMR in favour of the Company. The Optionor can buy back 1.0% GMR for \$1,000,000 and buy-back the remaining GMR for \$1,500,000. To complete the Agreement, the Optionor paid a non-refundable deposit of \$5,000 and agreed to pay \$105,000 on signing of the formal Agreement (received). The Optionor has also committed to expend \$450,000 in exploration work over a 24 month period. In addition, 12 months after signing the Agreement, the Optionor has agreed to pay the Company \$100,000 and in 24 months, pay the Company a further \$100,000 and the Company will deliver the 100% transfer of title documents subject to retaining a 2.0% GMR.

In August 2017, the Company signed an Amendment to the Agreement to receive the first \$100,000 property payment on or before October 29, 2017 (received) and to receive 30,000 shares of Battery Mineral Resources (received).

The Company has received the final \$100,000 property payment on August 24, 2018. Battery Mineral Resources Limited delivered to the Company the Fabre Project technical reports detailing the \$450,000 in exploration activities on the 31 Fabre claims. The Company has delivered to Battery Mineral Resources the duly executed transfer title documents to complete the 100% transfer of 31 Fabre claims subject to the Company retaining a 2.0% GMR.

c) Diamond Projects

The Company holds a 100% interest in certain mineral claims in the Notre Dame du Nord area of Quebec. Certain claims are subject to a 2.0% NSR. The Company may purchase 1.0% of the NSR for \$1,000,000 at any time prior to commercial production of any mineral discovered on the claims and also retains the First Right of Refusal to buy back the remaining 1.0% NSR. In addition, the Company agreed to deliver 100,000 common shares one day prior to commencement of commercial production subject to regulatory approval.

The Company holds certain claims in Ontario and has 2 mining licences in Sharpe and Savard townships, Ontario covering the Lapointe Kimberlite.

During the year ended February 28, 2019 the Company received mining tax credits of \$8,422 (2018 - \$1,127).

6. LOANS PAYABLE

On December 30, 2014, the Company received a non-interest bearing loan from WMJ Metals Ltd. ("WMJ"), a company controlled by a Director of the Company, in the amount of \$50,000 to complete the Globex acquisition (Note 5b). It is a demand loan and shall be repaid within 90 days of demand for repayment being made by WMJ. During the year ended February 28, 2017, the Company made a repayment of \$20,000. As at February 28, 2019, \$30,000 remained outstanding.

During the year ended February 29, 2016, the Company and WMJ entered into an agreement whereby WMJ advanced additional non-interest bearing funds totaling \$125,000 to finance the purchase of the Merrex Gold interest (Note 5b). The loan and the associated service charge of 5% (\$6,250) will be repaid by June 30, 2015 (not paid). Any balance of the loan outstanding after June 30, 2015 shall be subject to a further service charge of 10% (\$13,125). The Company shall pay any outstanding balance inclusive of service charges by November 30, 2015 (not paid).

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

6. LOANS PAYABLE (Cont'd)

On November 23, 2015, the Company and WMJ entered into an amended agreement whereby the maturity date of the loan and related service charges was extended to March 31, 2017 (not paid). No additional interest or service charges were incurred as a result of the extension. In February 2019, the loan was transferred to a term loan with an expiry date of March 1, 2021, and since it is below the Company's estimated market borrowing rate of 15%, a contribution benefit of \$43,027 was recorded in reserves.

7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of \$396,264 (2018 - \$210,615) consists of amounts due to private companies controlled by a director and to a law firm in which a director of the Company is a partner.

During the year ended February 28, 2019, the Company entered into the following transactions with related parties:

- (a) Incurred \$120,000 (2018 - \$135,500) to a company controlled by a director for geological services which have been capitalized to exploration and evaluation costs and incurred \$54,000 (2018 - \$54,000) for management services. At February 28, 2019, there was \$337,771 (2018 - \$187,175) owing to this company.
- (b) Incurred \$40,425 (2018 - \$14,191) in professional fees and \$Nil (2018 - \$8,421) in share issuance costs to a law firm in which a director is a partner. At February 28, 2019, there was \$58,493 (2018 - \$23,440) owing to this law firm.
- (c) Incurred \$10,200 (2018 - \$11,050) as automobile allowance (included in travel and promotion) to a private company controlled by a director.
- (d) As at February 28, 2019, the Company owed \$131,780 in loans payable (2018 - \$174,375) to a company controlled by a director.

During the year ended February 28, 2019, the Company granted Nil (2018 - 500,000) stock options with a fair value of \$Nil (2018 - \$234,874) to officers and directors of the Company.

8. SHARE CAPITAL AND EQUITY RESERVES

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

During the year ended February 28, 2019, 5,000 stock options were exercised at \$0.55 per share for proceeds of \$2,750.

During the year ended February 28, 2018, the Company closed a private placement consisting of 230,000 units at \$0.50 per unit for proceeds of \$115,000. Each unit is comprised of one common share and one warrant exercisable for two years, at a price of \$0.80. Share issuance costs of \$9,745 were paid in relation to the private placement.

During the year ended February 28, 2018, the Company issued 60,000 shares on the exercise of warrants for gross proceeds of \$30,000 and returned 14,167 shares to treasury.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND EQUITY RESERVES (Cont'd)

Warrants

Warrant transactions are summarized as follows:

	Outstanding Warrants	Weighted average exercise price
Balance, February 28, 2017	956,000	\$ 0.67
Granted	230,000	0.80
Exercised	(60,000)	0.50
Expired	(330,000)	1.00
Balance, February 28, 2018	796,000	0.94
Expired	(566,000)	1.00
Balance, February 28, 2019	230,000	\$ 0.80

As at February 28, 2019, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
230,000	\$0.80	May 9, 2019*

*Subsequent to February 28, 2019, 230,000 warrants expired unexercised

Stock options

The Company has adopted a formal stock option plan which follows the TSX Venture Exchange ("TSX-V") policy under which it is authorized to grant options to officers, directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall be not less than the minimum price permitted by the TSX-V. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

A summary of the Company's outstanding share purchase options as at February 28, 2019 and the changes during the year are presented below:

	Number of Options	Weighted Average Exercise Price
Balance – February 28, 2017	-	\$ -
Granted	1,110,000	0.52
Cancelled	(50,000)	0.50
Balance – February 28, 2018	1,060,000	0.52
Exercised	(5,000)	0.55
Outstanding and exercisable	1,055,000	\$ 0.52

Additional information regarding stock options outstanding as at February 28, 2019 is as follows:

Number of Options	Exercise Price (\$)	Expiry Date
650,000	0.50	October 5, 2021
355,000	0.55	December 1, 2021
50,000	0.50	January 18, 2022
1,055,000		

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND EQUITY RESERVES (Cont'd)

The weighted average fair value of each stock option granted during the year ended February 28, 2019 was \$Nil (2018 - \$0.51), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Year ended <u>February 28, 2019</u>	Year ended <u>February 28, 2018</u>
Risk-free interest rate	-	1.71%
Expected life of option	-	4 years
Expected dividend yield	-	0%
Expected stock price volatility	-	183.78%

Total share-based payments recognized for stock options granted during the year ended February 28, 2019 was \$Nil (2018 - \$536,229).

9. MANAGEMENT OF CAPITAL

The Company's capital structure consists of items in equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing.

10. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (Cont'd)

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The Company's cash is held with major Canadian based financial institutions.

Receivables mainly consist of sales tax refunds due from the governments of Canada and cost recoveries receivable from Secova Metals Corp.

Currency risk

The Company operates mainly in Canada. The Company mitigates its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities but continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash is generally not exposed to interest rate risk because of its short-term maturity. The loan payable does not bear interest and is therefore not subject to interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's investment in marketable securities is classified as FVTPL and trade on the stock market. The Company closely monitors its marketable securities, stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Fair Value

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, loan payable and accounts payable to related parties. The fair value of these financial instruments approximates their carrying values due to their short term to maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and development of exploration and evaluation assets in Canada.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions of the Company for the year ended February 28, 2019 were as follows:

- (a) Included in exploration and evaluation assets is \$120,000 which relates to accounts payable to related parties.
- (b) Included in accounts receivable is \$177,212 which relates to cost recoveries in exploration and evaluation assets.
- (c) Included in exploration and evaluation assets is \$20,993 which relates to accounts payable and accrued liabilities.
- (d) Transferred a fair value of \$2,559 from equity reserves to share capital on the exercise of 5,000 stock options.
- (e) Transferred \$43,027 from loans payable into equity reserves (Note 6) to reflect inferred benefit of non-interest bearing loan.
- (f) Included in accounts payable are share issuance cost of \$6,917.

Significant non-cash transactions of the Company for the year ended February 28, 2018 were as follows:

- (a) Included in exploration and evaluation assets is \$22,902 which relates to accounts payable to related parties.
- (b) Included in accounts receivable is \$50,559 which relates to cost recoveries in exploration and evaluation assets.
- (c) Included in exploration and evaluation assets is \$47,222 which relates to accounts payable and accrued liabilities.
- (d) Included in accounts payable are share issuance costs of \$8,421.
- (e) Transferred exploration advances of \$64,589 to exploration and evaluation assets.
- (f) Returned 14,167 shares with a value of \$14,167 to treasury.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported tax is as follows:

	Year ended	
	February 28, 2019	February 28, 2018
Loss for the year	\$ (256,012)	\$ (783,807)
Expected income tax recovery	\$ (69,000)	\$ (204,000)
Change in statutory, foreign tax, foreign exchange rates and other	(2,000)	(52,000)
Permanent differences	1,000	140,000
Impact of flow through shares	-	39,000
Share issue costs	-	(3,000)
Adjustment to prior years provision versus statutory tax returns	(157,000)	(108,000)
Expiry of non-capital losses	-	-
Change in unrecognized deductible temporary differences	227,000	188,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2019	2018
Deferred tax assets		
Exploration and evaluation assets	\$ 314,000	\$ 347,000
Share issue costs	4,000	5,000
Marketable securities	26,000	25,000
Allowable capital losses	131,000	4,000
Non-capital losses available for future periods	1,468,000	1,335,000
Net unrecognized deferred tax asset	\$ 1,943,000	\$ 1,716,000

No net deferred tax asset has been recognized in respect of the above for the years ended February 28, 2019 and February 28, 2018 because the amount of future taxable profit that will be available to realize such assets is not probable.

The significant components of the Company's unused temporary differences and tax losses are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$1,031,000	No expiry date	\$1,153,000	No expiry date
Investment tax credit	48,000	2031 - 2034	48,000	2031 - 2034
Share issue costs	14,000	2020 - 2022	20,000	2019 - 2022
Marketable securities	189,000	No expiry date	183,000	No expiry date
Allowable capital losses	484,000	No expiry date	14,000	No expiry date
Non-capital losses available for future period	5,437,000	2025 - 2039	4,945,000	2017 - 2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

During the year ended February 28, 2017, the Company issued 300,000 common shares on a flow-through basis for gross proceeds of \$150,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's mining properties. During the year ended February 28, 2018 the Company expended the exploration expenditures in full.

TRES-OR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian Dollars)

14. Subsequent Events

Subsequent to the year ended February 28, 2019, the Company:

- a) Completed a 10:1 share consolidation.
- b) Entered into a definitive option agreement (the "Option Agreement") with Kiboko Exploration Inc. ("Kiboko") to advance the Company's Fontana Gold Project. Under the terms of the Option Agreement, Kiboko can earn an initial 65% interest in the Fontana Gold Project, subject to underlying royalties, within a four-year period from the closing of the Transaction under the following conditions:
 - i) Making total cash payments or subscribing for securities of the Company totaling \$1,000,000 and
 - ii) Complete a technical report prepared in accordance with NI 43-101 that establishes a mineral resource estimate of no less than 1,000,000 ounces of gold of Inferred classification or higher, or incur expenditures on the Fontana Gold Project's claims totaling \$4,000,000

Upon earning a 65% interest, Kiboko will have the option to affect a merger with the Company, form a joint venture, or acquire an additional 25% interest, for an aggregate 90% interest. The additional 25% interest may be acquired by incurring additional exploration expenditures of \$2,000,000 within a 6 year period from the date of the closing or by completing a preliminary economic assessment and a supporting technical report prepared in accordance with NI 43-101.

Upon earning a 90% interest, Kiboko will have the option to affect a merger or joint venture. In the event of a formation of a joint venture, each party to the joint venture will be responsible for its pro rata share of project expenditures. Should any party to the joint venture fall below a 10% participating interest, their interest shall convert to a 1% Net Smelter Returns ("NSR") royalty on the first 1,000,000 ounces of gold production. The remaining participating party shall also have a customary 90-day right-of-first-refusal ("ROFR") on the sale of any portion of the NSR and the right to purchase one-half of the NSR for \$1,000,000.

As part of the Option Agreement, Globex has agreed that its royalty agreements, as they pertain to certain claims that comprise the Fontana Gold Project, will be extinguished and replaced with a single 2% NSR royalty agreement for the entire Fontana Gold Project (the "New Royalty Agreement"). The New Royalty Agreement provides for a customary 90-day ROFR on the sale of any portion of the NSR in favour of the Company and Kiboko. The New Royalty Agreement will also provide for a customary option to buyout one-half of the 2% NSR for \$2,000,000 at any time prior to commercial production.

In addition, the Company and Kiboko have both agreed to recognize and confirm an additional 1.8% NSR on the Chenier claims (the "Chenier Family NSR") under the condition that Globex's right to purchase this royalty at any time for \$360,000 be extended to the Company and Kiboko. The Company and Kiboko have been granted a customary 90-day ROFR on any potential sale of the Chenier Family NSR.

With respect to payments due to Globex, the current payments schedule will be extinguished and restated as follows:

On or about the closing of the Transaction	\$100,000
On or before January 1, 2021	200,000
On or before January 1, 2022	<u>200,000</u>
	\$500,000

The Option Agreement is subject to certain closing conditions, including, but not limited to, the approval of the TSX Venture Exchange.