OUTCROP GOLD CORP.

(formerly Miranda Gold Corp**.)**

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended August 31, 2019, 2018 and 2017

(Stated in Canadian dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Outcrop Gold Corp. (formerly Miranda Gold Corp.)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Outcrop Gold Corp. (formerly Miranda Gold Corp.) (the "Company"), as of August 31, 2019 and 2018, and the related consolidated statements of loss and comprehensive loss, statement of equity, and cash flows for the years ended August 31, 2019, 2018 and 2017, and the related notes (collectively referred to **AS** the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2019 and 2018, and the results of its operations and its cash flows for the years ended August 31, 2019, 2018, and 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is dependent on its ability to raise additional financing for the substantial capital expenditures required to achieve planned principal operations. There is no assurance that the Company will be able to obtain adequate financing which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2010.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

December 27, 2019

OUTCROP GOLD CORP.
(formerly Miranda Gold Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian dollars)

	Note	**August 31, 2019**	August 31, 2018
ASSETS			
Current			
Cash	*4,5*	**$ 185,222**	$ 200,414
Amounts receivable	*4,6*	**13,300**	3,849
Investments and marketable securities	*4,7*	**5,730**	10,505
Advances and prepaid expenses	*4,8*	**105,827**	187,269
		310,079	402,037
Equipment	*9*	**56,946**	42,116
Exploration and evaluation assets	*10*	**1,279,792**	1,077,105
		$ 1,646,817	$ 1,521,258
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*4,11*	**$ 191,172**	$ 90,360
Shareholders' Equity			
Share capital	*12*	**33,624,454**	32,202,273
Stock-based reserves		**7,006,899**	7,006,899
Warrant reserves		**7,343,112**	5,696,054
Accumulated other comprehensive loss		**(112,715)**	(83,460)
Share subscriptions receivable	*12,18*	**(262,223)**	-
Deficit		**(46,143,882)**	(43,390,868)
		1,455,645	1,430,898
		$ 1,646,817	$ 1,521,258

Nature of operations and going concern	*1*
Subsequent events	*18*

Approved for issue by the Board of Directors on December 27, 2019.

They are signed on the Company's behalf by:

"Joseph P. Hebert"
Joseph P. Hebert, Director

"Kevin Nishi"
Kevin Nishi, Director

The accompanying notes form an integral part of these consolidated financial statements

OUTCROP GOLD CORP.
(formerly Miranda Gold Corp.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Stated in Canadian dollars)

		Year ended August 31,		
	Note	**2019**	2018	2017
Expenses				
Consulting fees	*13*	**$ 206,472**	$ 205,100	$ 137,500
Depreciation	*9*	**12,126**	14,590	19,782
Directors' fees	*13*	**57,199**	223,483	42,216
Exploration and evaluation expenditures	*10*	**1,600,709**	1,116,373	1,405,130
Foreign exchange		**(9,723)**	(33,237)	94,002
Insurance		**27,702**	25,237	29,113
Investor relations		**133,400**	98,659	154,867
Office, rent, telephone, sundry		**63,449**	43,364	43,463
Professional fees		**117,054**	67,012	114,959
Stock-based compensation	*12,13*	**-**	-	133,468
Travel and promotion		**389,929**	26,051	24,585
Transfer agent, filing and regulatory		**42,749**	33,140	34,768
Wages and benefits	*13*	**100,334**	160,005	413,379
		(2,741,400)	(1,979,777)	(2,647,232)
Interest income		**228**	222	1,453
Loss on sale of investments and marketable securities	*4,7*	**-**	(191,937)	-
Loss on sale of equipment		**-**	(579)	-
Marketable securities, net change to fair value	*7*	**(4,775)**	-	-
		(4,547)	(192,294)	1,453
Loss for the year		**(2,745,947)**	(2,172,071)	(2,645,779)
Items that are or may be reclassified to profit or loss				
Foreign currency translation differences for foreign operations		**(36,322)**	(24,470)	34,488
Change in fair value of marketable securities		**-**	(20,667)	(8,000)
Comprehensive loss for the year		**$ (2,782,26**[illegible]	$ (2,217,208)	$ (2,619,291)
Basic and diluted loss per share		**$ (0.13)**	$ (0.19)	$ (0.25)
Weighted average number of shares outstanding		**21,140,827**	11,819,600	10,367,451

The accompanying notes form an integral part of these consolidated financial statements

OUTCROP GOLD CORP.
(formerly Miranda Gold Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian dollars)

	Year Ended August 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	**$ (2,745,947)**	$ (2,172,071)	$ (2,645,779)
Items not involving cash:			
Depreciation	**12,126**	14,590	19,782
Stock-based compensation	**-**	-	133,468
Unrealized loss on marketable securities	**4,775**	21,000	8,000
Loss on sale of investments	**-**	191,604	-
Unrealized foreign exchange loss (gain)	**(36,384)**	(55,641)	81,288
Loss on sale of equipment	**-**	579	-
Change in fair value of marketable securities	**-**	(20,667)	(8,000)
Changes in non-cash working capital balances:			
Amounts receivable	**(9,451)**	317	407
Advances and prepaid expenses	**81,442**	(145,169)	110,124
Accounts payable and accrued liabilities	**100,812**	(122,673)	145,878
	(2,592,627)	(2,288,131)	(2,154,832)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation asset acquisitions	**(196,722)**	(173,955)	(618,414)
Proceeds from sale of marketable securities	**-**	495	-
Equipment purchases	**(26,706)**	(7,463)	(1,809)
	(223,428)	(180,923)	(620,223)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share units issued	**2,957,629**	1,458,187	-
Share issue costs	**(150,613)**	(50,668)	(1,164)
	2,807,016	1,407,519	(1,164)
Effect of foreign exchange on cash	**6,153**	18,038	(27,870)
Change in cash during the year	**(15,192)**	(1,043,497)	(2,804,089)
Cash, beginning of year	**200,414**	1,243,911	4,048,000
Cash, end of year	**$ 185,222**	$ 200,414	$ 1,243,911

Supplemental disclosure with respect to cash flows – Note 16

The accompanying notes form an integral part of these consolidated financial statements

OUTCROP GOLD CORP.
(formerly Miranda Gold Corp.)

CONSOLIDATED STATEMENTS OF EQUITY
(Stated in Canadian dollars)

	Number of Shares	Share Capital	Stock-based Reserve	Warrant Reserves	Accumulated Other Comprehen-sive Loss	Share Subscriptions Receivable	Deficit	Total
Balance, August 31, 2016	10,338,081	$ 31,148,478	$ 6,873,431	$ 5,155,664	$ (64,811)	$ -	$ (38,573,018)	$ 4,539,744
Common shares issued	162,427	132,830	-	-	-	-	-	132,830
Share issue costs	-	(1,164)	-	-	-	-	-	(1,164)
Stock-based compensation	-	-	133,468	-	-	-	-	133,468
Foreign currency translation adjustment	-	-	-	-	34,488	-	-	34,488
Change in fair value of marketable securities	-	-	-	-	(8,000)	-	-	(8,000)
Loss for the year	-	-	-	-	-	-	(2,653,779)	(2,653,779)
Balance, August 31, 2017	10,500,508	31,280,144	7,006,899	5,155,664	(38,323)	-	(41,218,797)	2,185,587
Common shares issued	2,751,250	972,797	-	540,390	-	-	-	1,513,187
Share issue costs	-	(50,668)	-	-	-	-	-	(50,668)
Foreign currency translation adjustment	-	-	-	-	(24,470)	-	-	(24,470)
Change in fair value of marketable securities	-	-	-	-	(20,667)	-	-	(20,667)
Loss for the year	-	-	-	-	-	-	(2,192,738)	(2,192,738)
Balance, August 31, 2018	13,251,754	32,202,273	7,006,899	5,696,054	(83,460)	-	(43,390,868)	1,430,898
Common shares issued	15,773,174	1,589,000	-	1,630,852	-	-	-	3,219,852
Share subscriptions receivable	-	-	-	-	-	(262,223)	-	(262,223)
Reclassification on adoption of IFRS 9	-	-	-	-	7,067	-	(7,067)	-
Share issue costs	-	(166,819)	-	16,206	-	-	-	(150,613)
Foreign currency translation adjustment	-	-	-	-	(36,322)	-	-	(36,322)
Loss for the year	-	-	-	-	-	-	(2,745,947)	(2,745,947)
Balance, August 31, 2019	**29,024,928**	**$ 33,624,454**	**$ 7,006,899**	**$ 7,343,112**	**$ (112,715)**	**$ (262,223)**	**$ (46,143,882)**	**$ 1,455,645**

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Outcrop Gold Corp. (formerly Miranda Gold Corp.) ("Outcrop" or the "Company") is a publicly traded company incorporated under the laws of the Province of British Columbia, Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol OCG. The corporate registered and records office is located at #1200 – 750 West Pender Street, Vancouver, BC V6C 2T8. The Company is engaged in the identification, acquisition, exploration, and development of exploration and evaluation assets in Colombia. These consolidated financial statements of the Company for the year ended August 31, 2019, comprise the Company and its subsidiaries. The Company is considered to be in the exploration stage, as it has not placed any of its exploration and evaluation assets into production. Effective February 7, 2019, the Company consolidated its common shares on a 10:1 basis. These consolidated financial statements reflect the share consolidation retroactively.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether any of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

The operations of the Company will require various licenses and permits from various governmental authorities that are, or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These material uncertainties raise substantial doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, which could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at August 31, 2019.

2. BASIS OF PRESENTATION *(continued)*

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

The presentation currency of the Company is the Canadian dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Company. The functional currency of Outcrop Gold Corp., the parent company, is the Canadian dollar and the functional currency of the Company's US subsidiary, Outcrop Gold USA Inc., is the United States dollar. The functional currency of all of the Company's Canadian subsidiaries is the Canadian dollar, and the functional currency of all of the Colombian branch operations and Colombian simplified share companies is also the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 - *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Share-based compensation and valuation of warrants</u>

The fair value of stock options and warrants issued are subject to the limitations of the Black-Scholes Option-Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option-Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

2. BASIS OF PRESENTATION *(continued)*

Going concern presentation

Management has determined that the going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due, is appropriate.

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration and evaluation costs incurred that have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Investment in private company

Management has determined that the Company's former interest in the Willow Creek property had transferred to a 30% investment in a private company to which the Company determined it did not have significant influence over. The Company recorded the investment at cost. The Company considered factors of IAS 28 and related guidance in making this assessment.

Determination of functional currency

In accordance with IAS 21, management determined that the functional currency of the Company, its Canadian subsidiaries, and its Colombian branch operations is the Canadian dollar, while the functional currency of its US subsidiary, Miranda Gold USA Inc., is the US dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its subsidiaries and branch operations; from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Miranda Gold U.S.A., Inc.	State of Nevada	100%	Mineral exploration company
Miranda Gold Colombia I Ltd. (“MAD I”)	Province of British Columbia	100%	Holding company
Miranda Gold Colombia II Ltd. (“MAD II”)	Province of British Columbia, with branch office in Colombia	100%	Mineral exploration company
Miranda Gold Colombia III Ltd. (“MAD III”)	Province of British Columbia	100%	Holding company
Miranda Gold Colombia III S.A.S. (“MAD III SAS”)	Republic of Colombia	100%	Holding company
Minera Mallama S.A.S. (“Mallama SAS”)	Republic of Colombia	100%	Mineral exploration company
Miranda Gold Colombia IV Ltd. (“MAD IV”)	Province of British Columbia	100%	Mineral exploration company
Miranda Gold Colombia IV S.A.S. (“MAD IV SAS”)	Republic of Colombia	100%	Holding company
Miranda Gold Colombia V Ltd. (“MAD V”)	Province of British Columbia	100%	Holding company

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Determination of control by one entity over another

Subsidiaries are entities controlled by the Company and are consolidated. Investments in associates and joint ventures are those entities in which the Company has significant influence, but not control or joint control, and are accounted for using the equity method.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in operations.

On consolidation, for subsidiaries with functional currencies other than the Canadian dollar, the assets and liabilities are translated into Canadian dollars using the period-end rate and the operations and cash flows are translated using the average rates of exchange. Exchange adjustments arising when the opening net assets and profit or loss are translated into Canadian dollars are taken into a separate component of equity and reported in other comprehensive profit or loss.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a declining balance basis or straight-line basis, over the estimated useful lives of each asset or component part of an item of equipment, the choice is dependent on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation is taken on a declining balance basis, with depreciation rates ranging from 20% to 100%.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The Company will perform an impairment test on transition from the exploration and evaluation stage to the development stage.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property will be assessed for impairment.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed and the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

The Company has no material restoration, rehabilitation and environmental obligations as all environmental disturbances to date have been minimal.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 operations.

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 operations.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recorded any provisions for any of the financial years presented.

Financial instruments

The Company adopted all of the requirements of IFRS 9 – Financial Instruments ("IFRS 9") as of September 1, 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. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of $7,067 from accumulated other comprehensive income to deficit in relation to cumulative fair value changes to investments (note 7) on September 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

Financial assets are classified at initial recognition as either: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Fair value through profit or loss ("FVTPL") – Financial assets 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 asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment

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.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at September 1, 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
Amounts receivable	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	FVTPL
Advances	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Warrants

The Company accounts for warrants issued as part of a unit offering financing using the relative fair value method. Under this method, the value of warrants issued is measured at fair value at the issue date using the Black-Scholes Option-Pricing Model and recorded as share capital if and when the warrants are exercised.

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

Stock-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in equity. 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from stock-based reserve to share capital.

The fair value is measured at grant date and 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.

Stock-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled stock-based payment transactions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

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

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 purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2019, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

New standard IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not have any leases as at August 31, 2019.

(Stated in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities:

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; and fair value through OCI. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	**August 31, 2019**	August 31, 2018
Cash	FVTPL	**$ 185,222**	$ 200,414
Amounts receivable	Amortized cost	**1,443**	1,596
Marketable securities	FVTPL	**5,730**	10,505
Advances	Amortized cost	**431**	3,004
Accounts payable and accrued liabilities	Amortized cost	**191,172**	90,360

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, advances and accounts payable approximate their fair value due to their short-term nature. Cash and marketable securities are recorded at fair value and are calculated under the fair value hierarchy and measured using Level 1 inputs.

(Stated in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND Risk MANAGEMENT *(continued)*

Fair value of cash, investments and marketable securities at August 31, 2019:

Financial Instrument	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total as at August 31, 2019
	Level 1	*Level 2*	*Level 3*	
Cash	$ 185,222	$ -	$ -	**$ 185,222**
Marketable securities	5,730	-	-	**5,730**
Total	$ 190,952	$ -	$ -	**$ 190,952**

Fair value of cash, investments and marketable securities at August 31, 2018:

Financial Instrument	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total as at August 31, 2018
	Level 1	*Level 2*	*Level 3*	
Cash	$ 200,414	$ -	$ -	**$ 200,414**
Marketable securities	10,505	-	-	**10,505**
Total	$ 210,919	$ -	$ -	**$ 210,919**

During the year ended August 31, 2018:

a) The Company, along with Gold Torrent, Inc. (“GTI”), pledged their respective shares of Alaska Gold Torrent, LLC (“AGT LLC”) to secure financing for the Lucky Shot project. The lender ultimately foreclosed on the Deed of Trust, and requested that GTI and Outcrop sign over their respective holdings in AGT LLC to satisfy the provisions of the Deed of Trust. Outcrop recorded a loss on sale of investments of $191,604; and

b) The Company sold 9,000 shares of Prism for cash proceeds of $495 and recorded a realized loss on sale of marketable securities of $333.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and amounts receivable. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk: The Company has identified its functional currencies as the Canadian dollar and the US dollar. Transactions are transacted in Canadian dollars, US dollars, and Colombian Pesos ("COP"). The Company maintains US dollar bank accounts in Canada and the United States, and maintains COP bank accounts in Colombia to support the cash needs of its foreign operations. Management does not hedge its foreign exchange risk. At August 31, 2019, one Canadian dollar was equal to $0.751 US dollars and 2,584 Colombian Pesos.

Balances are as follows as at August 31, 2019:

	US dollars	Colombian Pesos	Canadian dollar equivalent
Cash	$ 23,647	$ 202,302,781	$ 108,105
Amounts receivable	-	3,728,352	1,443
Advances and deposits	-	1,113,285	431
	23,647	207,144,418	109,979
Accounts payable and accrued liabilities	(31,624)	(95,494,462)	(79,065)
Net monetary assets	**$ (7,977)**	**$ 111,649,956**	**$ 30,914**

(Stated in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Risk Management *(continued)*

Based upon the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar and the Colombian Peso would result in a decrease or increase in the reported loss of approximately $3,100 in the year.

Balances are as follows as at August 31, 2018:

	US dollars	Colombian Pesos	Canadian dollar equivalent
Cash	$ 63,790	$ 134,381,305	$ 140,792
Amounts receivable	-	3,728,352	1,596
Advances and deposits	-	7,019,941	3,004
	63,790	145,129,598	145,392
Accounts payable and accrued liabilities	(22,517)	(36,691,078)	(45,099)
Net monetary assets	**$ 41,273**	**$ 108,438,520**	**$ 100,293**

Based upon the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar and the Colombian Peso would result in a decrease or increase in the reported loss of approximately $10,300 in the year.

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets is related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

5. CASH

	As at August 31, 2019	As at August 31, 2018
Canadian dollar denominated deposits	**$ 77,117**	$ 59,622
US dollar denominated deposits	**29,814**	83,278
Colombian Peso denominated deposits	**78,291**	57,514
Total	**$ 185,222**	$ 200,414

(Stated in Canadian dollars)

6. AMOUNTS RECEIVABLE

		As at August 31, 2019		As at August 31, 2018
Amounts due from the Government of Canada pursuant to GST input tax credits	**$**	**11,857**	$	2,253
Other amounts receivable		**1,443**		1,596
Total	**$**	**13,300**	$	3,849

7. INVESTMENTS AND MARKETABLE SECURITIES

At August 31, 2019, the Company had the following investments and marketable securities:

			August 31, 2018	August 31, 2019		
Available-for-sale Securities	Number of Shares Aug 31, 2019	Cost	Accumulated unrealized holding gains (losses)	Unrealized gains (losses) for the year ended	Accumulated unrealized holding gains (losses)	**Fair Value at August 31, 2019**
Publicly traded companies:						
Prism Resources Inc. (“Prism”)	191,000	$ 17,572	$ (7,067)	$ (4,775)	$ (11,842)	**$ 5,730**

At August 31, 2018, the Company had the following investments and marketable securities:

			August 31, 2017	August 31, 2018		
Available-for-sale Securities	Number of Shares	Cost	Accumulated unrealized holding gains (losses)	Unrealized gains (losses) for the year ended	Accumulated unrealized holding gains (losses)	**Fair Value at August 31, 2018**
Publicly traded companies:						
Prism Resources Inc. (“Prism”)	191,000	$ 17,572	$ 12,988	$ (20,055)	$ (7,067)	**$ 10,505**

During the year ended August 31, 2018, the Company sold 9,000 shares of Prism for cash proceeds of $495 and recorded a realized loss on sale of marketable securities of $333.

8. ADVANCES AND PREPAID EXPENSES

		As at August 31, 2019		As at August 31, 2018
Advances held by employees and suppliers in Colombia	**$**	**431**	$	3,004
Prepaid expenses in Canada		**66,264**		184,265
Prepaid to related parties (Note 13)		**39,132**		-
Total	**$**	**105,827**	$	187,269

(Stated in Canadian dollars)

9. EQUIPMENT

	Canada	United States			Colombia		TOTAL
	Computer Equipment	Computer Equipment	Furniture & Fixtures	Field Equipment	Computer Equipment	Field Equipment	
Cost:							
Balance at August 31, 2017	$ 1,391	$ 73,258	$ 9,993	$ 52,385	$ 90,714	$ 66,486	$ 294,227
Assets acquired	-	2,959	-	1,047	3,457	-	7,463
Assets disposed of	(1,391)	-	-	-	-	-	(1,391)
Foreign exchange adjustments	-	3,023	413	2,165	-	-	5,601
Balance at August 31, 2018	-	79,240	10,406	55,597	94,171	66,486	305,900
Assets acquired	-	-	-	-	-	26,706	26,706
Foreign exchange adjustments	-	1,531	202	1,075	-	-	2,808
Balance at August 31, 2019	**$ -**	**$ 80,771**	**$ 10,608**	**$ 56,672**	**$ 94,171**	**$ 93,192**	**$ 335,414**
Accumulated depreciation:							
Balance at August 31, 2017	$ 812	$ 71,920	$ 8,306	$ 42,718	$ 78,456	$ 42,627	$ 244,839
Depreciation	-	625	344	2,526	3,939	7,156	14,590
Assets disposed of	(812)	-	-	-	-	-	(812)
Foreign exchange adjustments	-	2,991	351	1,825	-	-	5,167
Balance at August 31, 2018	-	75,536	9,001	47,069	82,395	49,783	263,784
Depreciation	-	1,128	285	2,165	3,536	5,012	12,126
Foreign exchange adjustments	-	1,465	175	918	-	-	2,558
Balance at August 31, 2019	**$ -**	**$ 78,129**	**$ 9,461**	**$ 50,152**	**$ 85,931**	**$ 54,795**	**$ 278,468**
Carrying amounts:							
August 31, 2018	$ -	$ 3,704	$ 1,405	$ 8,528	$ 11,776	$ 16,703	$ 42,116
August 31, 2019	**$ -**	**$ 2,642**	**$ 1,147**	**$ 6,520**	**$ 8,240**	**$ 38,397**	**$ 56,946**

10. EXPLORATION AND EVALUATION ASSETS

Outcrop acquires mineral properties through application, staking, and from third party vendors, some of which are subject to net smelter return royalties (“NSR”) or underlying lease payments. Subsequently, the Company may enter into agreements to sell a portion of its interest in its mineral properties to third parties in exchange for exploration expenditures, royalty interests, cash, or share-based payments.

Outcrop cannot guarantee title to all of its exploration and evaluation assets as the properties may be subject to prior mineral rights applications with priority, prior unregistered agreements or transfers and title may be affected by undetected defects. Certain of the mineral rights held by Outcrop are held under applications for mineral rights, and until final approval of such applications is received, Outcrop’s rights to such mineral rights may not materialize, and the exact boundaries of Outcrop’s properties may be subject to adjustment.

(Stated in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS *(continued)*

Exploration and evaluation assets deferred to the statements of financial position at August 31, 2019 and 2018 are as follows:

	August 31, 2018	Additions	Recoveries	Transfer to investments	Effect of movement in exchange rates	**August 31, 2019**
Alaska:						
Renshaw Royalty	$ 310,316	$ 109,354	$ -	$ -	$ 5,965	**$ 425,635**
Colombia:						
Antares	112,987	-	-	-	-	**112,987**
Argelia	265,240	-	-	-	-	**265,240**
Cauca	7,664	87,368	-	-	-	**95,032**
Kuntur	20,438	-	-	-	-	**20,438**
Lyra	20,676	-	-	-	-	**20,676**
Mallama	298,216	-	-	-	-	**298,216**
Oribella	41,568	-	-	-	-	**41,568**
	766,789	-	-	-	-	**854,157**
TOTAL	$ 1,077,105	$ 196,722	$ -	$ -	$ 5,965	**$ 1,279,792**

	August 31, 2017	Additions	Recoveries	Transfer to investments	Effect of movement in exchange rates	**August 31, 2018**
Alaska:						
Renshaw Royalty	$ 194,562	$ 106,619	$ -	$ -	$ 9,135	**$ 310,316**
Colombia:						
Antares	99,909	13,078	-	-	-	**112,987**
Argelia	265,240	-	-	-	-	**265,240**
Cauca	-	7,664	-	-	-	**7,664**
Kuntur	-	20,438	-	-	-	**20,438**
Lyra	-	20,676	-	-	-	**20,676**
Mallama	298,216	-	-	-	-	**298,216**
Oribella	36,088	5,480	-	-	-	**41,568**
	699,453	67,336	-	-	-	**766,789**
TOTAL	$ 894,015	$ 173,955	$ -	$ -	$ 9,135	**$ 1,077,105**

10. EXPLORATION AND EVALUATION ASSETS *(continued)*

Exploration and evaluation expenditures

Exploration and evaluation expenditures recorded in the consolidated statements of comprehensive loss for the years ended August 31, 2019, and 2018 are as follows:

	August 31, 2019			August 31, 2018			August 31, 2017		
	Exploration Expenditures	Recoveries from funding partners	**Net Exploration expenditures**	Exploration Expenditures	Recoveries from funding partners	Net Exploration expenditures	Exploration Expenditures	Recoveries from funding partners	Net Exploration expenditures
Other North America:									
General exploration	$ 4,415	$ -	**$ 4,415**	$ 11,524	$ -	$ 11,524	$ 44,895	$ -	$ 44,895
Lucky Shot / Willow	-	-	**-**	447	-	447	69,325	-	69,325
	4,415	-	**4,415**	11,971	-	11,971	114,220	-	114,220
Colombia:									
Antares	55,217	-	**55,217**	89,347	-	89,347	-	-	-
Argelia	20,395	-	**20,395**	96,241	-	96,241	-	-	-
Cauca	707,575	-	**707,575**	117,324	-	117,324	-	-	-
Cerro Oro	40,000	-	**40,000**	52,080	-	52,080	105,043	-	105,043
Kuntur	22,990	-	**22,990**	13,170	-	13,170	-	-	-
Lyra	50,026	(39,958)	**10,068**	63,498	-	63,498	-	-	-
Mallama	129,662	-	**129,662**	234,491	-	234,491	58,313	-	58,313
Oribella	63,620	-	**63,620**	133,969	-	133,969	-	-	-
General exploration	546,767	-	**546,767**	304,282	-	304,282	1,127,554	-	1,127,554
	1,636,252	(39,958)	**1,596,294**	1,104,402	-	1,104,402	1,290,910	-	1,290,910
TOTAL	$ 1,640,667	$ (39,958)	**$ 1,600,709**	$ 1,116,373	$ -	$ 1,116,373	$ 1,405,130	$ -	$ 1,405,130

ALASKA:

a) Willow Creek, Willow Creek mining district, Alaska

On November 15, 2013, Outcrop entered into an 80-year mining lease for the Willow Creek property with Alaska Hardrock Inc. The Willow Creek Project consisted of certain patented lode mining claims and State of Alaska lode mining claims. The terms of the lease required minimum annual lease payments of the greater of US$150,000 or the calculated production royalty according to the agreement, to be made on each January 15. The property was subject to various NSR's to various holders, the amounts of which were dependent on the price of gold, however, in aggregate would not exceed 5.8% - subject to the purchase of the 3.3% Renshaw Royalty (see below).

Lease Due Dates	**Minimum payment to Lessor** *(in US dollars)*
November 15, 2013 (paid)	50,000
January 15, 2014 to January 15, 2017 (paid)	550,000
January 15, 2018 and each year thereafter for the term of the lease (now terminated)	150,000

10. EXPLORATION AND EVALUATION ASSETS *(continued)*

Effective November 5, 2014, Outcrop signed an exploration and option to enter a joint venture agreement (the "Agreement") on the Willow Creek Project with Gold Torrent Inc. ("GTI"). GTI completed the initial earn-in obligation prescribed under the Agreement, and entered into a mining joint venture agreement ("Mining Venture Agreement"), contemporaneously forming AGT LLC, an Alaska limited liability company during fiscal 2017. The initial ownership of AGT LLC was 70% GTI and 30% Outcrop.

During the year ended August 31, 2017, the Company transferred its share of AGT LLC from exploration and evaluation assets (Willow Creek) to investments and marketable securities. The Company determined that significant influence did not exist and recorded the investment at cost. During 2018, the Company's ownership in AGT LLC was diluted to 14% pursuant to the mathematical effect of a cash call.

Effective May 15, 2018, GTI did not complete the required transactions contemplated under their amended agreements with CRH Funding II Pte. Ltd. ("CRH Funding") and CRH Mezzanine Pte. Ltd ("CRH Mezzanine"), collectively referred to as "CRH", and GTI and AGT LLC have now defaulted on these agreements and the Deed of Trust.

CRH has foreclosed on the Deed of Trust. Pursuant to a Membership Transfer and Assignment Agreement between the parties, both GTI and Outcrop have now transferred their respective ownership in AGT LLC to CRH for the consideration of CRH assuming all of the obligations of GTI and Outcrop under the AGT LLC Operating Agreement and that each of the parties is released from all liability on such assumed obligations arising after the date of transfer, being June 30, 2018. Outcrop recorded a loss on disposal of this investment of $191,604 during the year ended August 31, 2018.

b) Renshaw Royalty purchase

On September 14, 2015, the Company reached an agreement with Mr. Daniel Renshaw ("Renshaw") for the purchase of his 3.3% royalty held on the Willow Creek, Alaska project. Outcrop and Renshaw have separated the Renshaw royalty into the area that covers the patented mining claims on the west side of the project (the "'A' Royalty") and the area that covers the patented mining claims on the east side of the project (the "'B' Royalty"). The 'A' Royalty covers the area, including the Coleman resource, which is the area that is expected to be initially developed. The 'B' Royalty covers ground that is prospective for exploration including the Bullion Mountain target areas.

Outcrop has agreed to purchase up to 100% of the 'A' Royalty in a series of seven (7) contracts with each subsequent contract contingent on the prior contract being paid in full. Pursuant to each contract Outcrop will purchase 0.4% to 0.5% of the 'A' Royalty for each cumulative US$143,000 paid at the rate of US$5,000 per month plus interest, with the first payment commencing on October 31, 2015.

As each contract is paid Outcrop will register its ownership of the 'A' Royalty purchased. If Outcrop does not complete payment of any contract the remainder of the 'A' Royalty will remain with Renshaw. The seven contracts will be over an aggregate period of up to 200 months, but such contracts and payments can be accelerated and paid off at any time, providing that Outcrop pays Renshaw the full payment of an aggregate US$1,000,000 of principal so that Outcrop will have purchased the entire 3.3% 'A' Royalty.

10. EXPLORATION AND EVALUATION ASSETS *(continued)*

In addition, Renshaw has agreed to grant Outcrop the option to purchase the 'B' Royalty, which option may be exercised at any time provided that the 'A' Royalty contracts are not in default. Outcrop may purchase up to 100% of the 'B' Royalty for the aggregate amount of US$500,000 in principal to be paid under terms, conditions and instalments that are consistent with those of the 'A' Royalty.

As at August 31, 2019, the Company has paid $425,635, including interest, (August 31, 2018 – $310,316) towards the purchase of the series of the 'A' Royalty contracts representing an 0.08% royalty, all of which is being capitalized as exploration and evaluation assets.

COLOMBIA:

c) Colombia – Antares Project

On October 9, 2015, the Company executed an option agreement (the "Antares Option") by and among Activos Mineros de Colombia S.A.S. ("AMC"), the Company, and the Company's subsidiary MAD II, and the Colombian Branch of MAD II, to acquire the Antares property, with minimum operation payments due and a share issuance by the Company according to the schedule below. Upon commencing commercial production (as defined in the agreement), the minimum operation payments will cease and the payment of a 1.8% NSR will commence.

The Company must meet the following schedule to maintain the option:

Antares Option Due Dates	Minimum operation payments payable *(in US dollars)*	Common shares to be issued to AMC
October 9, 2015 (*paid*)	$ 60,000	-
October 9, 2016 (*paid*)	60,000	-
Upon registration of the Mining Concession Contract for the Antares property (payable 30-days subsequent)	70,000	-
Upon the first anniversary of the registration of the Mining Concession Contract ("Registration Date")	80,000	150,000
Upon the second anniversary of the Registration Date	90,000	-
Upon the third anniversary of the Registration Date	100,000	-
Upon the fourth anniversary of the Registration Date	120,000	-
Upon the fifth anniversary of the Registration Date	120,000	-
Upon the sixth anniversary of the Registration Date, and for each successive anniversary	150,000	-

10. EXPLORATION and EVALUATION ASSETS *(continued)*

Further, to maintain the Antares Option, a schedule of work commitment expenditures must be made, beginning within the first two years following the Registration Date as follows:

Antares Option Work Commitment Due Dates	Minimum exploration expenditures *(in US dollars)*	Cumulative exploration expenditures *(in US dollars)*
Within the first two years of the Registration Date	$ 200,000	$ 200,000
During the third year following the Registration Date	200,000	400,000
During the fourth year following the Registration Date	300,000	700,000
During the fifth year following the Registration Date	300,000	1,000,000
During the sixth year following the Registration Date	500,000	1,500,000
During the seventh year following the Registration Date	500,000	2,000,000

The above minimum exploration expenditure schedule may be suspended for up to two years in any period that the Company does not have a suitable joint venture partner funding expenditures on the project.

On March 7, 2017, the Company signed an option agreement (the “Agreement”) that allowed IAMGOLD Corporation (“IAMGOLD”) to earn an interest in the Antares Project in Colombia by conducting exploration on a scheduled earn-in basis.

During the year ended August 31, 2018, IAMGOLD informed the Company that it will not continue with the option on Antares and withdraw from the project.

d) Colombia – Argelia Project

On June 15, 2017, the Company executed an option agreement (the “Argelia Option”) by and among Bullet Holding Corp. (“Bullet”), Esquimal S.O.M. (“Esquimal”), and the Company to acquire the Argelia property, consisting of three applications.

(Stated in Canadian dollars)

10. EXPLORATION and EVALUATION ASSETS *(continued)*

The terms of the Argelia Option require that Outcrop make the following series of payments and a share issuance – all conditional on the occurrence of the following events:

Event	Issuance of Mirada shares	Payment amount US$
By June 22, 2017 (*paid*)	-	100,000
Upon TSXV approval of the issuance of 1,624,270 Outcrop shares (*issued*)	162,427	-
Upon conversion of the applications to titles	-	100,000
Upon receipt of approval for forestry subtraction – or – Outcrop making drill applications for any of the titles	-	100,000
Upon receipt of drill permits	-	100,000
Upon announcement of an NI 43-101 resource of >500,000 oz/au total in all categories (M+I+I)	-	250,000
One year from the announcement of an NI 43-101 resource of >500,000 oz/au	-	250,000

A residual net profits interest ("NPI") of 4% - *or* – an NSR of 1.5% - whichever is greater - will be payable to the vendor, until US$6,000,000 has been paid - at which time an NSR of 1.5% will be payable for the life of the mine.

e) Colombia – Cauca Project

On June 18, 2018, the Company executed an option agreement to acquire Poliandes S.A.S. ("Poliandes"), a Colombian company with pending applications on the Cauca project - an advanced gold-copper project in the Almaguer Mining District of southern Colombia, which consists of one title and one application.

The option agreement, to earn up to 100% of the Cauca Project through the acquisition of further interest in Poliandes, in three phases, is as follows:

i) To acquire the first 51% undivided interest in the Cauca project:

Performance Date	Annual Expenditure Amount	Cumulative Expenditure Amount
First anniversary of Effective Date (completed)	US$250,000	US$250,000
Second anniversary of Effective Date	US$750,000	US$1,000,000
Third anniversary of the Effective Date	US$2,000,000	US$3,000,000
Fourth (1) anniversary of Effective Date	US$2,000,000	US$5,000,000

(1) may be extended up to 12-months with payment of US$500,000

(Stated in Canadian dollars)

10. EXPLORATION and EVALUATION ASSETS *(continued)*

Also included in the earn-in, is a commitment to core drill up to 12,000 meters, to be completed during the first earn-in period.

Subsequent to Outcrop's exercise of the first option, the vendor shall be entitled to a 1.5% NSR royalty (the "Base Royalty") on any gold or gold equivalent ounces in excess of one million ounces produced from the property.

ii) To acquire the second 19% undivided interest in the Cauca project:

Performance Date	Annual Expenditure Amount	Cumulative Expenditure Amount
First anniversary of the exercise of first option	$2,000,000	$7,000,000
Second anniversary of the exercise of first option	$4,500,000	$11,500,000

Also included is a commitment to core drill up to 15,000 meters, to be completed during the second earn-in period, for a total commitment of 27,000 meters.

iii) To acquire the final 30% undivided interest in the Cauca project:

Performance Date	Performance Criteria
First anniversary of the exercise of second option	Delivery of a NI 43-101 Preliminary Economic Assessment ("PEA"), with the cost borne entirely by Outcrop.
Maximum of 120 days following the delivery of the PEA	Delivery of a notice of intent to purchase the remaining 30%.
Maximum of 90 (or 180) days following the delivery of the intent to purchase	Agreement as to the total fair market value of the Cauca project ("FMV"), within 90 days, to be mutually determined; or failing mutual agreement, by the use of an independent professional valuation expert. The valuation expert, if needed, may be given an additional 90 days to produce the final FMV report.
Maximum of 60 days following the FMV agreement or delivery of the final FMV report on the Cauca project	Payment of the pro-rata portion of the FMV, in cash. Payment of a 1.5% NSR royalty on all gold and gold equivalent ounces of production from the property (*replacing the Base Royalty*), beginning from the FMV agreement closing date and continuing for the life-of-mine.

In addition, there will be a payment due to the vendor based upon either Outcrop's Maiden NI 43-101 Technical Report, or Outcrop's Maiden internal resource estimate – either of which must contain an estimate of measured, indicated and/or inferred gold resources on the property (the "Resource Bonus"). The payment of the Resource Bonus shall be calculated as USD$5.00 per ounce of gold or gold equivalent of such resources to a maximum of USD $4,500,000. The Resource Bonus shall be payable in two tranches: the first 50% shall be due on the date of the exercise of the first option, and the second 50% shall be due 12-months later.

10. EXPLORATION and EVALUATION ASSETS *(continued)*

f) Colombia – Cerro Oro Project

On January 8, 2018, the Company notified the lessee of its intent to terminate the Cerro Oro Option and return the property. The process of termination included the unwinding of the trust agreement between the Company, the lessees, and the trustee. In May 2018, the Company refunded $40,000 to Prism for drilling program credits made by Prism in fiscal 2017. In September 2018, the Company refunded $40,000 to Prism for drilling program credits made by Prism in fiscal 2017.

g) Colombia – Kuntur Project

The Company has applied to the Agencia Nacional de Mineria ("ANM"), for several separate titles comprising the Kuntur project located in the Quebradona (Nuevo Chaquiro) District in Colombia. Outcrop paid approximately $20,300 for these applications and is currently seeking conversion to titles.

h) Colombia – Lyra Project

The Company has applied to the ANM, for several separate titles comprising the Lyra project located in the Department of Antioquia, Colombia. Outcrop paid approximately $20,500 for these applications and is currently seeking conversion to titles.

On July 31, 2018, the Company signed an option agreement (the "Agreement") that allows Newmont Goldcorp Corporation ("Newmont Colombia") to earn up to a 70% interest in Outcrop's Lyra Project.

Outcrop will operate a prospecting program funded by Newmont Colombia on Lyra totaling US$600,000 over 18 months or less, unless the applications are converted to concession contracts before the end of 18 months. Conversion of all applications to concession contracts will trigger a decision by Newmont Colombia as to whether they want to earn into the project - although Newmont Colombia may elect to terminate the Agreement at any time.

Upon successful conversion of the Lyra applications to concession contracts, and an election to earn into the project, Newmont Colombia shall incur a minimum of US$3,000,000 in qualifying expenditures over the course of the subsequent four years to earn-in and vest into 51% of the Lyra project (the "Initial Earn-In").

Upon successful completion of the Initial Earn-In, Newmont Colombia and Outcrop shall form a joint venture mining company whereby Newmont Colombia shall have an initial 51% interest and Outcrop shall have a 49% interest. Newmont Colombia shall than have the right to earn an additional 19% interest, for an aggregate 70% interest in the joint venture, by funding an additional US$7,000,000 in qualifying expenditures over the course of the subsequent four years.

i) Colombia – Mallama Project

On August 31, 2017, Outcrop completed the acquisition of the Mallama project ("Mallama") by an outright purchase of 100% of the shares of the Colombian simplified share company, Minera Mallama S.A.S. ("Mallama SAS").

During the fiscal year ended August 31, 2017, Outcrop paid a total of $298,216 in outstanding fees due to ANM prior to the final effective date of the purchase. Upon receipt of suitable drill permits on Mallama, without any future time constraint, Outcrop is required to make an additional payment of US$200,000 to the former shareholders of Mallama SAS. An NSR of four percent (4%) will be payable to the former shareholders, with a minimum of US$1,000,000 payable within three years of the commencement of commercial production, capped at US$4,000,000 over the life of the mine.

There are no minimum work commitments or any other milestones on Mallama, and no acquisition restrictions imposed on Outcrop for any adjacent property.

(Stated in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS *(continued)*

j) Colombia – Oribella Project

On May 13, 2014, the Company acquired the Oribella project, in the Antioquia Department of Colombia, through a purchase agreement with Antioquia Gold Inc. ("Antioquia Gold"). The Oribella project comprises one exploration license and one application. Outcrop has subsequently expanded the Oribella land package contiguously.

Oribella is subject to a 0.5% royalty to Antioquia Gold that can be purchased for US$1,500,000 and a 2% royalty to Soratama Gold (a wholly owned subsidiary of Barrick Gold Corporation). Outcrop acquired the property, subject to the royalties, by making the license *canon* payment on May 14, 2014, of $62,715, and will also reimburse Antioquia Gold for the application payment of COP 101,136,976 (approximately US$35,000) when the property is registered with the ANM as a contract. If the application is converted to a license on or before the anniversary of the agreement, Outcrop will pay Antioquia Gold an additional US$30,000 payment on the anniversary date. No other obligations are required to keep the project in good standing, and Outcrop may drop or reduce the lands at any time.

k) Colombia – Santa Ana Project

On May 14, 2019 and amended on October 29, 2019, the Company entered into an agreement with Cedar Capital Corp. ("Cedar") to acquire the Santa Ana project in consideration for 24,000,000 common shares of the Company. The property is located in Tolima, Colombia. Pursuant to the agreement, the Company will acquire all of the issued and outstanding shares of Cedar's wholly owned subsidiary, Malew Overseas SA ("Malew"). Malew's wholly owned subsidiary, Lost City SAS, owns the Santa Ana project. The closing of the transaction is subject to various conditions, including the completion of satisfactory due diligence by Outcrop, and the approval of the transaction and the finder's fee by Outcrop's board of directors and the TSX-V.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at August 31, 2019	As at August 31, 2018
Trade and other payables in Canada	**$ 126,354**	$ 40,688
Trade and other payables in the USA	**1,661**	17,240
Trade and other payables in Colombia	**36,958**	15,703
Amounts payable and accrued liabilities to related parties (Note 13)	**26,199**	16,729
Total	**$ 191,172**	$ 90,360

12. SHARE CAPITAL

Effective February 7, 2019, the Company consolidated its common shares on a 10:1 basis. These consolidated financial statements reflect the share consolidation retroactively.

a) **Authorized:** An unlimited number of common shares without par value.

b) **Share issuance:**

At August 31, 2019, the Company had 29,024,928 common shares issued and outstanding (August 31, 2018 – 13,251,754; August 31, 2017 – 10,500,008).

During the year ended August 31, 2019, the Company completed a non-brokered private placement of 2,173,914 units at a price of $0.23 per unit for gross proceeds of $500,000 (of which $36,655 is receivable at August 31, 2019). Each unit consists of one common share and one non-transferable share purchase warrant, each warrant exercisable into a common share at a price of $0.40 per share for a period of five years. The proceeds of the financing were allocated on a relative fair value basis as $228,000 to common shares and $272,000 to warrants. Share issuance costs of $29,621 were paid in relation to the private placement. The Company also issued 56,840 finder warrants at a fair value of $16,206 in connection with the offering under the same terms. The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were: a risk-free interest rate of 1.66%; an expected volatility of 113.19%; an expected life of 5 years; and an expected dividend of zero.

During the year ended August 31, 2019, the Company completed a non-brokered private placement of 13,599,260 units at a price of $0.20 per unit for gross proceeds of $2,719,852 (of which $225,568 is receivable at August 31, 2019). Each unit consists of one common share and one non-transferable share purchase warrant, each warrant exercisable into a common share at a price of $0.40 per share for a period of five years. The proceeds of the financing were allocated on a relative fair value basis as $1,361,000 to common shares and $1,358,852 to warrants. The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value were: a risk-free interest rate of 1.79%; an expected volatility of 107.7%; an expected life of 5 years; and an expected dividend of zero. Share issuance costs of $45,838 were paid in relation to the private placement.

As at August 31, 2019, $262,223 in share subscriptions receivable was outstanding and recorded as a reduction of shareholders' equity. Subsequent to August 31, 2019, the Company received $15,000 towards its share subscriptions receivable (Note 18) and returned 304,583 common shares to treasury related to the above mentioned private placements.

During the year ended August 31, 2018, the Company completed a non-brokered private placement of 2,751,250 units at a price of $0.55 per unit, for gross proceeds of $1,513,187, of which $55,000 was for settlement of accounts payable to a related party (Note 13). Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of Outcrop at a price of $1.20 until March 9, 2022. The proceeds of the financing were allocated on a relative fair value basis as $972,797 to common shares and $540,390 as to warrants. Cash share issue costs pursuant to this private placement were an additional $50,668. The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were: a risk-free interest rate of 2.02%; an expected volatility of 101.3%; an expected life of 4 years; and an expected dividend of zero.

During the year ended August 31, 2017, the Company issued 162,427 common shares to Bullet Holding Corp. valued at $132,830 pursuant to the acquisition of the Argelia project, in Colombia. The Company incurred share issue costs of $1,164 pursuant to this share issue.

(Stated in Canadian dollars)

12. SHARE CAPITAL *(continued)*

c) Stock Options Outstanding:

The Company has a shareholder-approved stock option plan that provides for the reservation for issuance of a fixed number of not more than 1,049,189 options to acquire common shares to its directors, officers, employees and consultants. The vesting terms of each stock option grant is determined by the Board of Directors at the time of the grant.

The continuity for stock options for the year ended August 31, 2019, is as follows:

Number outstanding Aug 31, 2018	Granted	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2019**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
52,250	-	-	(52,250)	**-**	$ 1.55	Oct. 17, 2018	-
66,000	-	-	-	**66,000**	$ 1.45	Sep. 3, 2019	0.01 yrs
10,000	-	-	-	**10,000**	$ 1.45	Feb. 16, 2020	0.46 yrs
107,500	-	-	-	**107,500**	$ 1.20	Jan. 28, 2021	1.41 yrs
30,000	-	-	-	**30,000**	$ 1.20	Apr. 25, 2021	1.65 yrs
202,500	-	-	-	**202,500**	$ 0.90	Jan. 25, 2022	2.41 yrs
468,250	-	-	(52,250)	**416,000**	$ 1.10	*(weighted average)*	1.66 yrs
			Exercisable	**416,000**	$ 1.10	*(weighted average)*	1.66 yrs

As at August 31, 2019, all of the outstanding stock options were vested and exercisable, with a weighted average exercise price of $1.10. The intrinsic value of the vested stock options was $nil. The intrinsic value of the vested stock options outstanding at August 31, 2019, is calculated on the difference between the exercise prices of the underlying vested options and the quoted price of the common stock as of the reporting date of August 31, 2019, being $0.29.

The continuity for stock options for the year ended August 31, 2018, is as follows:

Number outstanding Aug 31, 2017	Granted	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2018**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
87,500	-	-	(87,500)	**-**	$ 3.05	Sep. 24, 2017	-
72,250	-	-	(20,000)	**52,250**	$ 1.55	Oct. 17, 2018	0.12 yrs
96,000	-	-	(30,000)	**66,000**	$ 1.45	Sep. 3, 2019	1.01 yrs
10,000	-	-	-	**10,000**	$ 1.45	Feb. 16, 2020	1.46 yrs
142,500	-	-	(35,000)	**107,500**	$ 1.20	Jan. 28, 2021	2.41 yrs
30,000	-	-	-	**30,000**	$ 1.20	Apr. 25, 2021	2.65 yrs
217,500	-	-	(15,000)	**202,500**	$ 0.90	Jan. 25, 2022	3.41 yrs
655,750	-	-	(187,500)	**468,250**	$ 1.15	*(weighted average)*	2.39 yrs
			Exercisable	**468,250**	$ 1.15	*(weighted average)*	2.39 yrs

(Stated in Canadian dollars)

12. SHARE CAPITAL *(continued)*

The continuity for stock options for the year ended August 31, 2017, is as follows:

Number outstanding Aug 31, 2016	Granted	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2017**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
115,000	-	-	(115,000)	**-**	$ 4.00	Oct. 21, 2016	-
97,500	-	-	(10,000)	**87,500**	$ 3.05	Sep. 24, 2017	0.07 yrs
80,250	-	-	(8,000)	**72,250**	$ 1.55	Oct. 17, 2018	1.13 yrs
106,000	-	-	(10,000)	**96,000**	$ 1.45	Sep. 3, 2019	2.01 yrs
10,000	-	-	-	**10,000**	$ 1.45	Feb. 16, 2020	2.46 yrs
152,500	-	-	(10,000)	**142,500**	$ 1.20	Jan. 28, 2021	3.41 yrs
30,000	-	-	-	**30,000**	$ 1.20	Apr. 25, 2021	3.65 yrs
-	231,000	-	(13,500)	**217,500**	$0.90	Jan. 25, 2022	4.41 yrs
591,250	231,000	-	(166,500)	**655,750**	$ 1.43	*(weighted average)*	2.84 yrs
			Exercisable	**655,750**	$ 1.43	*(weighted average)*	2.84 yrs

Stock-Based Compensation:

The fair value of each option granted to employees, officers, and directors was estimated on the date of grant using the Black-Scholes option-pricing model.

Fiscal 2019 and 2018

There were no stock options granted during the fiscal years ended August 31, 2019 and 2018.

Fiscal 2017

During the year ended August 31, 2017, the Company recorded $133,468 in stock-based compensation expense for options vesting in the period as follows:

a) $133,468 upon the immediate vesting of the 2,310,000 options granted on January 25, 2017.

The fair value of the 2,310,000 options granted on January 25, 2017, was determined using a risk free interest rate of 0.76%, an expected volatility of 105%, an expected life of 3.0 years, and an expected dividend of zero for a total fair value of $133,468 or $0.058 per option. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

d) Share Purchase Warrants:

The continuity for share purchase warrants for the year ended August 31, 2019, is as follows:

Number outstanding August 31, 2018	Issued	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2019**	Exercise price	Expiry date	Weighted average remaining life in yrs
2,914,056	-	-	-	**2,914,056**	$ 1.20	Jun.23, 2021	1.81 yrs
2,751,250	-	-	-	**2,751,250**	$ 1.20	Mar.09, 2022	2.52 yrs
-	13,599,260	-	-	**13,599,260**	$ 0.40	Feb.22, 2024	4.48 yrs
-	2,230,754	-	-	**2,230,754**	$ 0.40	Apr. 17, 2024	4.63 yrs
5,665,306	15,830,014	-	-	**21,495,320**	$ 0.61	*(weighted average)*	3.88 yrs

(Stated in Canadian dollars)

12. SHARE CAPITAL *(continued)*

The continuity for share purchase warrants for the year ended August 31, 2018, is as follows:

Number outstanding August 31, 2017	Issued	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2018**	Exercise price	Expiry date	Weighted average remaining life in yrs
2,083,580	-	-	(2,083,580)	**-**	-	Dec. 19, 2017	-
2,914,055	-	-	-	**2,914,055**	$ 1.20	Jun. 23, 2021	2.81 yrs
-	2,751,250	-	-	**2,751,250**	$ 1.20	Mar 9, 2022	3.52 yrs
4,997,635	2,751,250	-	(2,083,580)	**56,653,055**	$ 1.20	*(weighted average)*	3.16 yrs

The continuity for share purchase warrants for the year ended August 31, 2017, is as follows:

Number outstanding August 31, 2016	Issued	Exercised	Expired/ Cancelled	**Number outstanding August 31, 2017**	Exercise price	Expiry date	Weighted average remaining life in yrs
2,083,580	-	-	-	2,083,580	$3.75	Dec. 19, 2017	0.30 yrs
2,914,055	-	-	-	2,914,055	$ 1.20	Jun. 23, 2021	3.81 yrs
4,997,635	-	-	-	4,997,635	$ 2.26	*(weighted average)*	2.35 yrs

(Stated in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers and directors as follows:

Name	Nature of transactions
RIP Services Inc. ("RIP")	Consulting as CFO
Goldnor Global Management Inc. ("GGMI")	Consulting as CFO, Corporate Secretary, corporate compliance services and financial reporting *(terminated in October 2018)*
Kevin Nishi Inc. ("Nishi")	Director's bonus

The Company incurred the following fees in connection with companies owned or partially owned by key management (CEO, CFO, Corporate Secretary) and / or directors. Expenses have been measured at the exchange amount, which is determined on a cost recovery basis.

For the year ended	**August 31, 2019**	August 31, 2018	August 31, 2017
Consulting fees - RIP	**$ 40,000**	$ -	$ -
Consulting fees - GGMI	**37,500**	205,000	137,500
Director's fees – Nishi	**22,170**	55,000	-
Total	**$ 99,670**	$ 260,000	$ 137,500

Amounts owing to related parties are disclosed in Note 11. All amounts are unsecured, with no specific terms of repayment.

Prepaid amounts to related parties are disclosed in Note 8. These amounts represent expense advances to related parties.

b) Compensation of directors and members of key management personnel:

The remuneration of directors and members of key management personnel, including amounts disclosed in Note 13(a), during the years ended August 31, 2019, 2018 and 2017 were as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Consulting fees	**$ 77,500**	$ 205,000	$ 137,500
Wages and benefits (1)	**323,032**	323,866	425,753
Employment termination benefit (3)	**-**	16,755	175,504
Directors fees (2)	**57,199**	223,483	42,216
Share based compensation	**-**	-	121,335
Total	**$ 457,731**	$ 769,104	$ 902,308

(1) a portion of wages and benefits are included in exploration and evaluation expenditures
(2) $55,000 paid through the issuance of common shares in fiscal 2018
(3) Included in wages and benefits

(Stated in Canadian dollars)

14. SEGMENTED DISCLOSURE

The Company operates in the mineral exploration sector within Colombia.

Notes 9 and 10 provide disclosure as to the geographic location equipment and of exploration and evaluation assets and expenditures.

15. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and warrants as capital (see Note 12). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration expenditures, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in interest bearing Canadian chartered bank account and short-term guaranteed investment certificates.

The Company estimates that it will require additional funding to carry out its exploration plans and operations through the next twelve months. The Company is not subject to any externally imposed capital restrictions.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended	**August 31, 2019**	August 31, 2018	August 31, 2017
Non-cash investing and financing activities:			
Fair value of shares issued for exploration and evaluation assets	**$ -**	$ -	$ 132,830
Reclassification of exploration and evaluation assets to investments	**-**	-	188,040
Shares issued for settlement of accounts payable	**-**	55,000	-
Share subscriptions receivable	**262,223**	-	-
Fair value of finders' warrants	**16,206**	-	-
Reclassification on adoption of IFRS 9	**7,067**	-	-
Interest received	**$ 228**	$ 222	$ 1,453
Interest paid	**$ -**	$ -	$ -
Income taxes paid	**$ -**	$ -	$ -

(Stated in Canadian dollars)

17. INCOME TAXES

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

		Aug. 31, 2019		Aug. 31, 2018		Aug. 31, 2017
Loss before income taxes	**$**	**(2,745,947)**	**$**	(2,217,208)	$	(2,645,779)
Expected income tax (recovery)	**$**	**(741,000)**	$	(599,000)	$	(688,000)
Change in statutory, foreign tax, foreign exchange rates, and other		**271,000**		1,682,000		262,000
Permanent differences		**(3,000)**		61,000		59,000
Share issue costs		**(41,000)**		(14,000)		-
Adjustments to prior years provisions versus statutory tax returns and expiry of losses		**25,000**		71,000		(330,000)
Change in unrecognized deductible temporary differences		**489,000**		(1,201,000)		697,000
Total income tax expense (recovery)	**$**	**-**	$	-	$	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been re-measured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2019		2018
Deferred tax assets (liabilities)				
Exploration and evaluation assets	**$**	**2,309,000**	$	2,219,000
Property and equipment		**44,000**		54,000
Share issue costs		**45,000**		19,000
Marketable securities		**2,000**		1,000
Allowable capital losses		**123,000**		123,000
Non-capital losses available for future period		**6,303,000**		5,921,000
		8,826,000		8,337,000
Unrecognized deferred tax assets		**(8,826,000)**		(8,337,000)
Net deferred tax assets	**$**	**-**	$	-

(Stated in Canadian dollars)

17. INCOME TAXES *(continued)*

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2019	Expiry Date Range		2018	Expiry Date Range
Temporary differences						
Exploration and evaluation assets	**$**	**8,530,000**	No expiry date	$	8,288,000	No expiry date
Property and equipment		**164,000**	No expiry date		198,000	No expiry date
Share issue costs		**165,000**	2040 - 2043		69,000	2039 - 2041
Marketable securities		**12,000**	No expiry date		7,000	No expiry date
Allowable capital losses		**455,000**	No expiry date		455,000	No expiry date
Non-capital losses available for future period		**27,520,000**	2026 - 2039		25,998,000	2026 - 2038
Canada		**8,530,000**	2026 - 2039		7,705,984	2026 - 2038
USA		**18,796,000**	2025 - 2039		18,292,000	2025 - 2038

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

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2019:

a) The Company is in the process of completing an offering on a non-brokered private placement basis up to 12,500,000 units at a price of $0.10 per unit for gross proceeds of up to $1,250,000 (of which the first tranche of 5,895,000 units and second tranche of 1,425,000 units were closed for proceeds of $589,500 and $142,500 respectively). Each unit will consist of one common share and one non-transferable share purchase warrant, each warrant exercisable into a common share at a price of $0.20 per share for a period of five years.

b) 66,000 stock options expired, unexercised (Note 12).

c) The Company returned 304,583 common shares to treasury and received $15,000 of subscriptions receivable (Note 12).