

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

(unaudited)

EXPRESSED IN CANADIAN DOLLARS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Atlantic Industrial Minerals Incorporated (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Morgan & Company LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at	August 31 2019 <i>(unaudited)</i>	February 28 2019 <i>(audited)</i>
ASSETS		
Current		
Cash	\$ 1,433	\$ 1,352
Sales tax receivable	17,866	8,536
	19,299	9,888
Land (note 6)	26,500	26,500
	\$ 45,799	\$ 36,388
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 7,8,13)	\$ 793,169	\$ 402,225
Loans payable (note 13)	406,572	372,217
	1,199,741	774,442
Long-term accounts payable and accrued liabilities (notes 8,13)	-	350,000
	1,199,741	1,124,442
EQUITY (DEFICIENCY)		
Share capital (note 9)	1,968,510	1,968,510
Deficit	(3,122,452)	(3,056,564)
	(1,153,942)	(1,088,054)
	\$ 45,799	\$ 36,388

Nature of operations and going concern (note 1)

Subsequent event (note 16)

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

	Three months ended		Six months ended	
	2019	August 31 2018	2019	August 31 2018
Expenses				
Corporate and administrative (note 11)	\$ 22,718	\$ 17,565	\$ 26,333	\$ 19,323
Exploration and evaluation (notes 12,13)	41,007	-	39,555	-
	63,725	17,565	65,888	19,323
Net loss and comprehensive loss	\$ (63,725)	\$ (17,565)	\$ (65,888)	\$ (19,323)
Basic and diluted loss per share (note 14)	\$ (0.003)	\$ (0.001)	\$ (0.003)	\$ (0.001)
Weighted average number of common shares outstanding: Basic and diluted	24,633,448	24,633,448	24,633,448	24,633,448

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Share capital		Investment Revaluation Reserve	Deficit	Total
	Number	Amount			
Balance, February 28, 2018	24,633,448	\$ 1,968,510	\$ 277,000	\$ (2,286,597)	\$ (41,087)
Net loss for the period	-	-	-	(19,323)	(19,323)
Balance, August 31, 2018	24,633,448	1,968,510	277,000	(2,305,920)	(60,410)
Reverse investment valuation reserve (note 10)	-	-	(277,000)	277,000	-
Net loss for the period	-	-	-	(1,027,644)	(1,027,644)
Balance, February 28, 2019	24,633,448	1,968,510	-	(3,056,564)	(1,088,054)
Net loss for the period	-	-	-	(65,888)	(65,888)
Balance, August 31, 2019	24,633,448	\$ 1,968,510	\$ -	\$ (3,122,452)	\$ (1,153,942)

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

	Three months ended August 31		Six months ended August 31	
	2019	2018	2019	2018
Operating activities				
Loss for the period	\$ (63,725)	\$ (17,565)	\$ (65,888)	\$ (19,323)
Net changes in non-cash working capital items				
Sales tax receivable	(8,911)	(1,020)	(9,330)	(2,377)
Accounts payable and accrued liabilities	62,682	800	40,944	3,880
	(9,954)	(17,785)	(34,274)	(17,820)
Financing activities				
Loan proceeds received	8,615	16,834	34,355	16,834
Investing activities				
Mineral property expenditures	-	(672)	-	(672)
Net change in cash	(1,339)	(1,623)	81	(1,658)
Cash, beginning of period	2,772	3,077	1,352	3,112
Cash, end of period	\$ 1,433	\$ 1,454	\$ 1,433	\$ 1,454

See accompanying notes.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Atlantic Industrial Metals Incorporated (the "Company") is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties in Canada. The address of the Company's registered office is 1550 Bedford Highway, Suite 802, Bedford, Nova Scotia, B4A 1E6. The Company's shares are listed on the NEX board of the TSX Venture Exchange under the trading symbol "ANL".

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

At August 31, 2019, the Company had a working capital deficiency of \$1,180,442 (February 28, 2019 - \$764,554), incurred losses for the current six month period of \$65,888 (2018 - \$19,323), and, has an accumulated deficit of \$3,122,452 (February 28, 2019 - \$3,056,564).

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Presentation and Consolidation

These consolidated financial statements include the accounts of the Company and its two wholly-owned Canadian incorporated subsidiaries, Glencoe Resources Inc. and Great Bras d'Or Springs Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss. These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries functional currency.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

These interim financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company's 2019 audited annual consolidated financial statements. These interim results are not necessarily indicative of the results that may be anticipated for the entire fiscal year.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements, in conformity with IFRS, requires the Company's management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company's assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Significant estimates relate to:

- establishment of provisions; and,
- recognition of deferred tax assets.

Significant judgements relate to:

- ability to continue as a going concern; and,
- exploration and evaluation accounting policy.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies, as described in Note 5 of the Company's audited consolidated financial statements for the year ended February 28, 2019, have been applied consistently to all periods presented in these financial statements, unless otherwise noted. Effective March 1, 2019, the Company adopted the following policies:

IFRS 2 - Share-based Payments

In June 2016, the IASB issued an amendment to IFRS 2 addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. The adoption of IFRS 2 had no impact on the Company's consolidated financial statements.

IFRS 16 - Leases

This standard requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company includes the estimated extension of a lease in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Right-of-use assets would be depreciated in accordance with the Company's accounting policy property, plant and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has no leases and for future leases has elected to apply the available exemptions for short-term leases and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The adoption of IFRS 16 had no impact on the Company's consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholders' equity. In order to maintain its capital structure the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not established quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the year. The Company is not subject to any externally imposed capital requirements.

6. LAND

The Company owns a spring water resource property in Victoria County, Cape Breton, Nova Scotia. There are currently no plans to develop this property.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31 2019	February 28 2019
Trade payables (note 13)	\$ 280,830	\$ 234,161
Accrued liabilities (notes 8,13)	222,672	58,572
Related parties (notes 8,13)	289,667	109,492
	<u>\$ 793,169</u>	<u>\$ 402,225</u>

8. LONG-TERM ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

On June 24, 2014, the Company entered into an agreement (subsequently amended on February 1, 2017) with a Company director and a former director to defer payment of \$300,000 of consulting and professional fees and defer property payments of \$50,000 related to the acquisition of the Company's former Kewstoke Carbonate property. The payment of the aggregate debt of \$350,000 was deferred until the earlier of either: (a) the Company completing aggregate equity financings of not less than \$750,000; or, (b) June 14, 2020. As at August 31, 2019, the aggregate debt of \$350,000 was classified as a current liability. In addition, the debt is unsecured and non-interest bearing.

9. SHARE CAPITAL

Authorized

Unlimited common shares

Stock Options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

There were no options outstanding or issued during the six month period ended August 31, 2019 and the year ended February 2019.

Warrants

There were no warrants outstanding or issued during the six month period ended August 31, 2019 and the year ended February 28, 2019.

10. INVESTMENT REVALUATION RESERVE

On March 23, 2009, the Company received back 3,615,872 of its common shares as part of the terms of the sale of Kelly Rock Limited to Municipal Capital Incorporated. The par value of these shares was \$362,000 and the fair value of the shares was determined to be \$85,000, which resulted in the initial recognition of a \$277,000 investment revaluation reserve. During the year ended February 28, 2019 the reserve was reversed.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

11. CORPORATE AND ADMINISTRATIVE

	Three months ended		Six months ended	
	August 31		August 31	
	2019	2018	2019	2018
Consulting	\$ 1,200	\$ -	\$ 1,200	\$ -
Filing and transfer agent fees	6,716	-	9,521	-
Office and general	620	6,743	697	8,501
Professional fees	13,457	10,822	13,457	10,822
Shareholder relations and promotion	725	-	1,458	-
	\$ 22,718	\$ 17,565	\$ 26,333	\$ 19,323

12. EXPLORATION AND EVALUATION

	Three months ended		Six months ended	
	August 31		August 31	
	2019	2018	2019	2018
Property costs	\$ 320	\$ -	\$ (1,132)	\$ -
Assaying	6,077	-	6,077	-
Consulting/Contracting (note 13)	7,260	-	7,260	-
Drilling	9,128	-	9,128	-
Reports	18,222	-	18,222	-
	\$ 41,007	\$ -	\$ 39,555	\$ -

Glencoe Carbonate Property - Nova Scotia

The Company holds a 100% interest in the Glencoe Carbonate Property located in Inverness County, Cape Breton, Nova Scotia. A production royalty based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold from the property is payable to a Company director and a former director.

During the year ended February 28, 2018, the Company paid \$11,000 to acquire an option to purchase the surface rights of two additional properties in the Glencoe vicinity for a total cost of \$70,000. The balance of the purchase price is payable upon the commencement of a commercial extraction plant.

Based on an impairment analysis and a change in accounting policy for exploration and evaluation expenditures, the Company elected to write-off \$1,005,449 of related capitalized expenditures during the year ended February 28, 2019. The change in accounting policy was applied on a prospective basis with no restatement of the consolidated statement of financial position. During the six month period ended August 31, 2018, the Company capitalized \$672 of exploration and evaluation expenditures.

13. RELATED PARTY TRANSACTIONS AND BALANCES

- (i) Project management fees of \$4,500 for the current quarter and \$4,500 for the six month period were paid or became payable to a company controlled by a director of the Company. These fees are related to the Glencoe Carbonate Property and are included in exploration and evaluation expenditures under consulting/contracting.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (ii) Accounts payable and accrued liabilities include \$289,667 (February 28, 2019 - \$109,492) payable to a Company director or companies controlled by Company directors and \$205,000 (February 28, 2019 - \$30,000) payable to a former Company director (the "Former Director"), who departed the Company on June 25, 2018.
- (iii) Loans payable of \$406,572 (February 28, 2019 - \$372,217) consist of \$359,648 (February 28, 2019 - \$325,293) payable to Company directors or companies controlled by Company directors and \$46,924 (February 28, 2019 - \$46,924) payable to the Former Director. These amounts represent cash loans and are unsecured, non-interest bearing and have no fixed terms of repayment. The Company received from a director loans of \$8,615 (2018 - \$16,834) for the three month period and \$34,355 (2018 - \$16,834) for the six month period.
- (iv) Long-term accounts payable and accrued liabilities of \$nil (February 28, 2019 - \$350,000) is payable to a Company director and the Former Director. On June 24, 2014, the Company entered into an agreement (subsequently amended on February 1, 2017) with the Company director and the Former Director to defer payment of the \$350,000, comprised of unpaid consulting and professional fees and outstanding payments related to the acquisition of the Company's former Kewstoke Carbonate property. The Company director and the Former Director are each owed \$175,000 and the payment of such amounts has been deferred until the earlier of either: (a) the Company completing aggregate equity financings of not less than \$750,000; or, (b) June 14, 2020. In addition, the debt is unsecured and non-interest bearing. As at August 31, 2019, the aggregate debt of \$350,000 was classified as a current liability.
- (v) A Company director and the Former Director are entitled to receive a production royalty based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold from the Glencoe Carbonate Property (Note 12).

14. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The methods and assumptions used to develop fair value measurements are:

- Level 1 - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - includes inputs, other than quoted prices included in Level 1, that are observable for an asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from process); and,
- Level 3 - includes inputs that are not based on observable data.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended August 31, 2019

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying value of accounts payable and accrued liabilities, loans payable and long-term debt approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Cash is measured at fair value using Level one inputs.

Classification of Financial Instruments

			August 31 2019	February 28 2019
<hr/>				
Financial assets				
Cash			\$ 1,433	\$ 1,352
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Financial liabilities				
Accounts payable and accrued liabilities	Amortized cost	\$ 793,169	\$ 402,225	
Loans payable	Amortized cost	406,572	372,217	
Long-term debt	Amortized cost	-	350,000	
<hr/>				

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The primary risks the Company's financial instruments are exposed to are described below

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash. The Company mitigates the risk to its cash by depositing its cash with Canadian banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans payable have no specific terms of repayment. As at August 31, 2019, the Company had cash of \$1,433 to settle current liabilities of \$1,199,741. The Company does not have sufficient cash to fund its obligations and activities for the coming financial year and will be required to raise additional capital.

Currency Risk

The Company is not exposed to foreign currency risk as it operates in Canada and its expenditures are in Canadian dollars.

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For the six months ended August 31, 2019

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

The Company is not exposed to any significant interest rate risk. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption. The Company has no interest bearing debt.

16. SUBSEQUENT EVENTS

Subsequent to August 31, 2019, a Company director provided the Company with cash loans of \$2,875 for working capital purposes.