



ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed In Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Atlantic Industrial Minerals Incorporated

Opinion

We have audited the consolidated financial statements of Atlantic Industrial Minerals Incorporated and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,046,967 during the year ended February 28, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by \$738,054. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management's discussion and analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Kwan.

Vancouver, Canada

June 26, 2019

"Morgan & Company LLP"

Chartered Professional Accountants

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

As at	February 28,	
	2019	2018
ASSETS		
Current		
Cash	\$ 1,352	\$ 3,112
Sales tax receivable	8,536	3,378
	9,888	6,490
Land (Note 8)	26,500	26,500
Mineral property (Note 13)	-	986,903
	\$ 36,388	\$ 1,019,893
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9, 14)	\$ 402,225	\$ 398,097
Loans payable (Note 14)	372,217	312,883
	774,442	710,980
Long term debt (Notes 10, 14)	350,000	350,000
	1,124,442	1,060,980
DEFICIENCY		
Share capital (Note 11)	1,968,510	1,968,510
Reserves (Note 12)	-	277,000
Deficit	(3,056,564)	(2,286,597)
	(1,088,054)	(41,087)
	\$ 36,388	\$ 1,019,893

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board:

“Greg Isenor”
Greg Isenor
Director

“J. François Lalonde”
J. François Lalonde
Director

See accompanying notes to the consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

Years ended February 28,	2019	2018
Expenses		
Consulting fees	\$ 13,325	\$ 1,200
Filing and transfer agent fees	14,860	10,826
Office and general	508	1,327
Professional fees	11,700	48,146
Shareholder relations and promotion	6,825	-
Loss before other items	(47,218)	(61,499)
Other items		
Impairment of mineral property (Note 13)	(1,005,449)	-
Expense recovery	5,700	13,935
Net loss and comprehensive loss for the year	\$ (1,046,967)	\$ (47,564)
Loss per share – Basic and diluted	\$ (0.04)	\$ (0.00)
Weighted average number of common shares outstanding:		
Basic and diluted	24,633,449	24,633,449

See accompanying notes to the consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

(Expressed in Canadian Dollars)

	Share Capital		Investment Revaluation Reserve	Deficit	Total Deficiency
	Number	Amount			
Balance, February 28, 2017	24,633,449	\$ 1,968,510	\$ 277,000	\$ (2,239,033)	\$ 6,477
Net loss for the year	-	-	-	(47,564)	(47,564)
Balance, February 28, 2018	24,633,449	1,968,510	277,000	(2,286,597)	(41,087)
Reverse investment valuation reserve (Note 12)	-	-	(277,000)	277,000	-
Net loss for the year	-	-	-	(1,046,967)	(1,046,967)
Balance, February 28, 2019	24,633,449	\$ 1,968,510	\$ -	\$ (3,056,564)	\$ (1,088,054)

See accompanying notes to the consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)

Years ended February 28,	2019	2018
Operating activities		
Net loss for the year	\$ (1,046,967)	\$ (47,564)
Adjustments to reconcile net loss to net cash used:		
Expense recovery	(5,700)	(13,935)
Impairment of mineral property	1,005,449	-
	(47,218)	(61,499)
Change in non-cash working capital:		
Sales tax receivable	(5,158)	(2,706)
Accounts payable and accrued liabilities	9,828	35,062
	(42,548)	(29,143)
Investing activity		
Mineral property expenditures	(18,546)	(105,786)
Financing activity		
Loan proceeds received	59,334	133,008
Decrease in cash	(1,760)	(1,921)
Cash, beginning of year	3,112	5,033
Cash, end of year	\$ 1,352	\$ 3,112

See accompanying notes to the consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

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 1246 Hollis Street, Halifax, Nova Scotia, B3J 1T6. 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, fulfill 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 favorable terms.

At February 28, 2019, the Company had a working capital deficiency of \$764,554 (2018 - \$704,490), incurred losses for the current year of \$1,046,967 (2018 - \$47,564), and, has an accumulated deficit of \$3,056,564 (2018 - \$2,286,597).

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. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements for the year ended February 28, 2019 were approved and authorized for issue by the Company’s board of directors on June 26, 2019.

Basis of Consolidation and Presentation

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.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

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

BASIS OF PRESENTATION (continued)

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

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current 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. CHANGE IN ACCOUNTING POLICY

Exploration and Evaluation

During the year ended February 28, 2019, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures in accordance with IFRS 6 - Exploration and Evaluation of Mineral Resources. Previously, the Company deferred (capitalized) these expenditures, including acquisition costs, until such time the mineral properties moved beyond the exploration and evaluation stage, were sold or were determined to be impaired. Costs related to pre-exploration and evaluation activities were expensed.

Under the new policy the Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities. The accounting policy change has been applied prospectively with no restatement of its consolidated statement of financial position.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

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

5. SIGNIFICANT ACCOUNTING POLICIES

Adoption of IFRS 9 – Financial Instruments

The Company adopted IFRS 9 *Financial Instruments*, effective March 1, 2018, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application

Below is a summary showing the classification and measurement bases of the Company’s financial instruments as a result of adopting IFRS 9 (along with a comparison to IAS 39). There was no impact on the Company’s consolidated financial statements from the adoption of IFRS 9.

Financial instrument	IAS 39	IFRS 9
Cash	Fair value through profit or loss	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

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

Classification

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

A debt instrument that meets both the business model test and cash flow characteristics test must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL, under the fair value option.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

If certain conditions are met, the classification of a financial asset, debt instrument or equity instrument may subsequently need to be reclassified.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Transaction costs and any realized or unrealized gains or losses arising from changes in the fair value of the financial asset or liability held at FVTPL are included in the consolidated statements of comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities at amortized cost

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive loss.

Adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15, replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 clarifies how an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted IFRS 15, effective March 1, 2018, resulting in no impact on its consolidated financial statements.

Adoption of IFRIC 23 – Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties under IAS 12, Income Taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. The Company adopted IFRIC 23, effective March 1, 2018. There was no material impact from its adoption.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. As at February 28, 2019 and 2018, the Company had no cash equivalents.

Exploration and Evaluation

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Flow-Through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors, subject to a renouncement process. Proceeds received from the issuance of flow-through shares are to be spent on Canadian resource property exploration expenditures prior to the end of calendar year following the year of issuance.

Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are then incurred and renouncement occurs subsequently). On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. Under the retrospective approach the obligation to renounce is fulfilled when the paperwork to renounce is filed. Once the obligation is fulfilled, the liability is reduced and the balance is charged to the statement of operations and comprehensive income (loss).

Foreign Currency Translation

Foreign currency transactions are initially recorded in the entity's functional currency at the transaction date exchange rate. At each reporting date, monetary assets and liabilities that are denominated in a foreign currency are translated into the functional currency using the end of the reporting period exchange rate. All foreign currency adjustments are recognized in the statement of operations and comprehensive income/loss.

Impairment of Non-financial Assets

The Company's non-financial assets (land and mineral properties) are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. In assessing value in use, 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. Impairment losses are

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized in the statement of operations and comprehensive income/loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of amortization and depletion) that would have been determined had no impairment loss been recognized.

Interest

The Company classifies interest received and interest paid as an operating cash flow within the statement of cash flows.

Land

Land is stated at historical cost less accumulated impairment losses. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Loss per Share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of shares outstanding during the year. Diluted loss per share is calculated based on the assumed conversion, exercise or contingent issuance of "in the money" securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share, at the weighted average market price during the period.

Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to discharge the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are recognized in accordance with the Company's accounting policy for exploration and evaluation assets.

Share-based Payments

The Company accounts for share-based payments using the fair value based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used.

The fair value of stock options, adjusted for expected forfeitures, is recognized as share-based payments expense over each tranche's vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when, the stock options are exercised. The fair value of stock options remains in contributed surplus on expiry of options. Any consideration paid on the exercise of stock options is credited to share capital.

Share Issue Costs

Share issue costs are recorded as a reduction of share capital.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing.

If and when the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

In situations where warrants are issued as consideration for goods and services received and some or all of the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

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

6. NEW STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET ADOPTED

The following standards has been issued but are not yet effective:

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. This amendment is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16.

The Company is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures and expects that such impact, if any, would not be material.

7. 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.

8. 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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28	
	2019	2018
Trade payables	\$ 313,653	\$ 276,025
Accrued liabilities	88,572	122,072
	\$ 402,225	\$ 398,097

10. LONG TERM DEBT

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. In addition, the debt is unsecured and non-interest bearing.

11. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

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 years ended February 28, 2019 and 2018.

Warrants

There were no warrants outstanding or issued during the years ended February 28, 2019 and 2018.

12. 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.

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

13. MINERAL PROPERTY

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 former director.

During the year ended February 28, 2018, the Company paid \$11,000 to acquire the 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 all related capitalized expenditures.

	2018
Acquisition:	
Balance, February 28, 2017	\$ 437,000
Acquisition costs	11,000
Balance, February 28, 2018 and 2019	448,000
Exploration:	
Balance, February 28, 2017	444,117
Claim renewals	62,410
Geophysics and related costs	25,658
Project administration	6,718
Balance, February 28, 2018	538,903
Claim renewals	672
Project administration	17,874
Balance, February 28, 2019	557,449
Total acquisition and exploration costs	1,005,449
Impairment	(1,005,449)
Balance, February 28, 2019	\$ -

14. RELATED PARTY TRANSACTIONS AND BALANCES

- (i) Accounts payable and accrued liabilities include \$139,492 (2018 – \$64,350) payable to a former director or companies controlled by Company directors.
- (ii) Loans payable of \$372,217 (2018 - \$312,883) are payable to Company directors, a former Company director or companies controlled by Company directors. These amounts represent cash advances and are unsecured, non-interest bearing and have no fixed terms of repayment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (iii) Long term debt of \$350,000 (2018 - \$350,000) is payable to a Company director and a former Company director. On June 24, 2014, the Company entered into an agreement (subsequently amended on February 1, 2017) with the Company director and the former Company director to defer payment of \$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 former Company director departed the Company on June 26, 2018. The Company director and 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.
- (iv) 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 13).

15. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	February 28	
	2019	2018
Statutory tax rate	31%	31%
Expected income tax recovery at the statutory tax rate	\$ (325,000)	\$ (14,000)
Non-deductible permanent differences	(2,000)	-
Change in tax assets not recognized	327,000	14,000
Deferred income tax (recovery)	\$ -	\$ -

The components of the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets

	2019	2018
Exploration and evaluation assets	\$ 333,000	\$ 21,000
Non capital losses	431,000	416,000
Share issuance costs and other	2,000	2,000
Deferred tax assets	766,000	439,000
Deferred tax assets not recognized	(766,000)	(439,000)
Net deferred tax asset	\$ -	\$ -

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

INCOME TAXES (continued)

At February 28, 2019, the Company has \$1,389,000 (2018 – \$1,342,000) of non-capital losses available for deduction in future years expiring over various years to 2039. The Company also has Canadian and foreign resource related expenditures totaling approximately \$1,075,000 (2018 - \$1,056,000) which can be used to offset future income taxes.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

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.

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 three levels of the hierarchy are:

- Level one - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - includes inputs that are observable, either directly (prices) or indirectly (derived from prices), other than from quoted prices included in level one; and
- Level three - includes inputs that are not based on observable data.

As at February 28, 2019 and 2018, cash was the only financial instrument classified within the fair value hierarchy and was classified as Level 1.

Classification of Financial Instruments

		February 28	
		2019	2018
Financial assets:			
Cash	Amortized cost	\$ 1,352	\$ 3,112
Financial liabilities:			
Accounts payable and accrued liabilities	Amortized cost	\$ 402,225	\$ 398,097
Loans payable	Amortized cost	372,217	312,883
Long term debt	Amortized cost	350,000	350,000

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:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 7. 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 February 28, 2019, the Company had cash of \$1,352 to settle current liabilities of \$774,442. 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.

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.

17. SUBSEQUENT EVENT

Subsequent to February 28, 2019, a Company director provided the Company with cash loans of \$25,740 for working capital purposes.