

Engineer Gold Mines Ltd.



ENGINEER GOLD
MINES LTD.

EAU:TSX.V

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

August 31, 2019

These unaudited condensed interim financial statements of Engineer Gold Mines Ltd. for the nine months ended August 31, 2019 have been prepared by management and approved by the Board of Directors.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

ENGINEER GOLD MINES LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	August 31, 2019	November 30, 2018
ASSETS		
Current		
Cash	\$ 47,400	\$ 84,999
Receivables (Note 12)	36,200	29,379
Prepaid expenses	<u>13,000</u>	<u>9,585</u>
Total Current Assets	96,600	123,963
Equipment (Note 4)	168,730	104,722
Reclamation Bonds (Note 5)	75,000	55,000
Exploration and evaluation assets (Note 6)	2,168,759	1,496,151
Due from related party (Note 11)	<u>18,286</u>	<u>15,290</u>
Total Assets	<u>\$ 2,527,375</u>	<u>\$ 1,795,126</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current		
Accounts payable and accruals	\$ 316,193	\$ 126,879
Accrued liabilities	38,560	35,777
Due to related parties (Note 11)	<u>100,584</u>	<u>32,613</u>
Total Current Liabilities	<u>455,337</u>	<u>195,269</u>
EQUITY		
Share capital (Note 7)	2,794,381	2,046,353
Share subscriptions	84,000	-
Reserves (Note 7)	164,252	98,167
Deficit	<u>(970,595)</u>	<u>(544,663)</u>
Total Equity	<u>2,072,038</u>	<u>1,599,857</u>
Total Liabilities and Equity	<u>\$ 2,527,375</u>	<u>\$ 1,795,126</u>

Nature and continuance of operations (Note 1)

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three months Ended August 31, 2019	Three months Ended August 31, 2018	Nine months Ended August 31, 2019	Inception (January 17, 2018) to August 31, 2018
EXPENSES				
Amortization (Note 4)	\$ 11,247	\$ -	\$ 27,972	\$ -
Bank charges and interest	1,618	163	2,762	190
Consulting	-	19,500	-	19,500
Exploration	-	21,000	-	21,000
Filing and transfer agent fees	3,139	22,981	11,996	22,981
Management fees (Note 11)	45,000	30,000	130,000	30,000
Office and miscellaneous	5,990	3,866	15,969	3,866
Professional fees	346	184,228	12,146	184,228
Salaries and wages (Note 11)	61,708	3,403	95,012	3,403
Stock based compensation	500	94,000	3,833	94,000
Travel, trade shows and promotion	88,875	26,440	126,242	26,440
Net income (loss) and comprehensive income (loss) for the period	(218,423)	(405,581)	(425,932)	(405,608)
Basic and diluted net income (loss) per common share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	25,013,525	19,472,221	21,991,262	7,891,825

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share Capital		Share Subscriptions	Share based payment reserve	Deficit	Total Shareholders' Equity
	Common Shares	Amount				
Balance, January 17, 2018	- \$	- \$	-	\$ -	\$ -	- \$
Incorporation share	1	1	-	-	-	1
Cancellation of incorporation share	(1)	(1)	-	-	-	(1)
Issue of share for cash – private placement	7,600,000	760,000	-	-	-	760,000
Engineer Distribution Shares	12,863,525	604,774	-	-	-	604,774
Share-based payments	-	-	-	94,000	94,000	94,000
Comprehensive loss for the period	-	-	-	-	(405,608)	(405,608)
Balance, August 31, 2018	20,463,525 \$	1,364,774 \$	-	\$ 94,000	\$ (405,608)	\$ 1,053,166
Balance, November 30, 2018	20,463,525 \$	2,046,353 \$	-	\$ 98,167	\$ (544,663)	\$ 1,599,857
Issue of shares for cash, private placements, net	8,790,000	748,028	-	62,252	-	810,280
Share subscriptions	-	-	84,000	-	-	84,000
Share-based payments (Note 8)	-	-	-	3,833	-	3,833
Comprehensive loss for the period	-	-	-	-	(425,932)	(425,934)
Balance, August 31, 2019	29,253,525 \$	2,794,381 \$	84,000	\$ 164,252	\$ (970,595)	\$ 2,072,036

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the nine months ended August 31, 2019	For the period from inception (January 17, 2018) to August 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (425,932)	\$ (405,608)
Items not affecting cash:		
Share-based payments	66,085	94,000
Amortization	27,972	-
Changes in non-cash working capital items:		
Receivables	(9,817)	(120,434)
Prepaid expenses	(3,415)	(106,808)
Accounts payable and accrued liabilities	<u>3,525</u>	<u>120,434</u>
Net cash used in operating activities	<u>(341,582)</u>	<u>(317,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	(91,980)	-
Exploration and evaluation asset expenditures	(484,036)	(30,182)
Reclamation bond	<u>(20,000)</u>	<u>(55,000)</u>
Net cash used in investing activities	<u>(596,016)</u>	<u>(85,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, net	748,028	-
Subscription receipts	84,000	760,000
Related party loans and advances, net of receivables	<u>67,971</u>	<u>8,760</u>
Net cash provided by financing activities	<u>899,999</u>	<u>768,760</u>
Change in cash during the period	(37,599)	366,087
Cash, beginning of period	<u>84,999</u>	<u>-</u>
Cash, end of period	<u>\$ 47,400</u>	<u>\$ 366,087</u>

Supplementary Cash Flow Information:

Non-cash Financing And Investing Activities:

Exploration and evaluation costs included in accounts payable	\$ 200,436	\$ -
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The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on January 17, 2018 under the laws of the Province of British Columbia, Canada. The Company was a wholly-owned subsidiary of Blind Creek Resources Ltd. (“Blind Creek”), a TSX Venture Exchange (“TSX-V”) listed company, until June 1, 2018, when it was spun-out of Blind Creek by way of a plan of arrangement (the “Arrangement”) as a separate entity. The Company obtained its initial listing on the TSX-V on June 26, 2018. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office, principal address and registered records office is located at 804 – 750 West Pender St, Vancouver, British Columbia, Canada.

The Company’s financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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

Several conditions cast doubt on the validity of this assumption. The Company has incurred a loss since inception and has an accumulated deficit of \$970,595. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended November 30, 2018

2. BASIS OF PRESENTATION (continued)

Approval of the financial statements

The financial statements of the Company for the period ended August 31, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 17, 2019.

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provisions. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated amortization, with amortization calculated on a declining balance basis at the following annual rates:

Field equipment	20%
Mobile equipment	30%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are identified and written off. The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to items of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that 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.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

Financial instruments

IFRS 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit and loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

(a) Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

(b) Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(c) Available-for-sale investments

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets, other than impairment losses, are recognized as other comprehensive income and classified as a component of equity.

(d) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the reporting period in which they are identified. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss.

New or revised accounting standards not yet adopted

The Company has not applied the following new and revised standards that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018. Management has determined that the adoption of IFRS 9 will not have a significant effect on its financial statements.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED AUGUST 31, 2019
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

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

4. EQUIPMENT

Cost	Mobile Equipment	Field Equipment	Total
Balance at January 17, 2018	\$ -	\$ -	\$ -
Additions	95,200	26,447	121,647
Balance at November 30, 2018	\$ 95,200	\$ 26,447	\$ 121,647
Additions	19,696	72,284	91,980
Balance at August 31, 2019	\$ 114,896	\$ 98,731	\$ 213,627
Accumulated amortization			
Balance at January 17, 2018	\$ -	\$ -	\$ -
Amortization	14,280	2,645	16,925
Balance at November 30, 2018	\$ 14,280	\$ 2,645	\$ 16,925
Amortization	19,684	8,288	27,972
Balance at August 31, 2019	\$ 33,964	\$ 10,933	\$ 44,897
Net book value			
Balance at November 30, 2018	\$ 80,920	\$ 23,802	\$ 104,722
Balance at August 31, 2019	\$ 80,932	\$ 87,898	\$ 168,730

5. RECLAMATION BONDS

The Company has two reclamation bonds held in trust by the Ministry of Energy and Mines, British Columbia. As at August 31, 2019, the reclamation bonds consisted of two deposits of \$50,000 and \$5,000 made by the Company for indemnification of site restoration of the Company's Tagish Lake/Wann River and Atlin properties (Note 6).

6. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Exploration and evaluation asset costs and activity is as follows:

	Engineer
Acquisition – Plan of arrangement (Note 7)	1,286,353
Property exploration expenditures	
Assay	22,460
Camp	137,738
Consulting	14,078
Geological	14,033
Reporting	3,356
Surveying	18,133
	<u>209,798</u>
November 30, 2018	<u>\$ 1,496,151</u>

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED AUGUST 31, 2019
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition	<u>\$ 1,286,353</u>
Property exploration expenditures	
Historical	209,798
Assay	6,376
Camp	216,220
Dewatering	37,347
Drilling	102,734
Equipment	121,160
Geological	179,723
Reporting	4,936
Survey	4,112
	<u>882,406</u>
August 31, 2019	<u>\$ 2,168,759</u>

Engineer, B.C.

The Engineer Project is made up of claims and crown grants located in the Atlin Mining Division of British Columbia. The project includes two project areas referred to as Tagish Lake/Wann River and Atlin. The Engineer property was transferred to the Company from Blind Creek at fair value as a part of the Arrangement.

7. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

Issued for the period ended August 31, 2019:

On July 3, 2019, the Company closed a non-brokered private placement tranche for gross proceeds of \$559,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$43,120 in cash commissions and issued 431,200 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 431,200 common shares and 215,600 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of broker units was estimated at \$36,625 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 94%; iii) risk free interest rate of 1.47%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

On August 6, 2019, the Company closed a non-brokered private placement tranche for gross proceeds of \$320,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$25,600 in cash commissions and issued 256,000 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 256,000 common shares and 128,000 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of broker units was estimated at \$25,600 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 91%; iii) risk free interest rate of 1.32%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

ENGINEER GOLD MINES LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 NINE MONTHS ENDED AUGUST 31, 2019
 (Expressed in Canadian Dollars)
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7. SHARE CAPITAL (continued)

Issued for the year ended November 30 2018:

On March 27, 2018, the Company closed a non-brokered private placement of subscription receipts (the “Subscription Receipts”) for gross proceeds of \$760,000. Each Subscription Receipt entitled the holder to receive, upon closing of the arrangement, one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of two years. On June 1, 2018, 7,600,000 Subscription Receipts were converted to 7,600,000 common shares of the Company and 3,800,000 full warrants of the Company.

As per the Agreement between Blind Creek and the Company dated January 18, 2018 (“effective date”), the Company issued 12,863,525 common shares to Blind Creek, equal to one half of Blind Creek common shares outstanding as at June 1, 2018, the date of completion of the Arrangement in which the Company was spun-out of Blind Creek. These shares were valued as \$1,286,353 being the fair value of the Engineer Project (Note 6).

Share-based payment reserve

The share-based payment reserve represents the fair value of stock options until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan.

A summary of the changes in options follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, January 17, 2018 and August 31, 2018	-	\$ -
Issued	2,040,000	0.10
Balance, November 30, 2018 and August 31, 2019	2,040,000	\$ 0.10

As at August 31, 2019 the following options were outstanding:

Total Number of Options	Exercise Price	Expiry Dates
2,040,000	\$ 0.10	August 20, 2020

As at August 31, 2019 the weighted average remaining contractual life of the stock options was 1.22 years and the weighted average exercise price was \$0.10 (August 31, 2018: 1.97 years and \$0.10).

On August 20, 2018 the Company granted 2,040,000 incentive stock options to directors, officers and consultants exercisable for a period of two years at a price of \$0.10 per share. The fair value of 1,880,000 of these stock based compensation options granted was estimated on the date of grant in the amount of \$94,000 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per share of \$0.10; ii) expected share price volatility of 104%; iii) risk free interest rate of 2.10%; iv) no dividend yield, v) expected life of 2 years and vi) fully vested on grant. The remaining 160,000 incentive stock options were granted to an individual providing IR services with the same exercise period and price. The fair value was estimated at \$4,167 using the Black-Scholes Option Pricing Model with the above assumptions except vi) vesting over one year.

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9. WARRANTS

A summary of the changes in warrants follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, January 17, 2018	-	\$ -
Issued	3,800,000	0.15
Balance, August 31, 2018 and November 30, 2018	3,800,000	\$ 0.15
Issued	5,425,800	0.15
Balance, August 31, 2019	9,225,800	\$ 0.15

As at August 31, 2019 the following share purchase warrants were outstanding:

Total Number of Warrants	Exercise Price	Expiry Date
3,800,000	\$ 0.15	June 1, 2020
2,975,000	\$ 0.15	January 4, 2022
431,200	\$ 0.10	January 4, 2022
215,600	\$ 0.15	January 4, 2022
1,600,000	\$ 0.15	February 7, 2022
256,000	\$ 0.10	February 7, 2022
128,000	\$ 0.15	February 7, 2022
<u>9,225,800</u>		

As at August 31, 2019 the weighted average remaining contractual life of the share purchase warrants was 1.71 years and the weighted average exercise price was \$0.15 (August 31, 2018: 1.75 years and \$0.15).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at August 31, 2019 the fair value of cash held by and for the Company was based on level 1 inputs of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. The Company believes it has no significant credit risk.

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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

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.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

c) Price risk

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

11. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	August 31, 2019	August 31, 2018
Management fees charged by officers	\$ 135,000	\$ 45,000
Salary paid or accrued	6,750	4,500
Total	\$ 141,750	\$ 49,500

- b) Due to related parties balances consisted of the following:

	August 31, 2019	August 31, 2018
Officers	\$ 8,750	\$ 4,500
Major shareholder	91,333	4,260
Company controlled by a major shareholder	501	-
Total	\$ 100,584	\$ 8,760

The amounts due to the related parties have no specific terms of repayment, is unsecured and non-interest-bearing.

- c) Due from related parties balances consisted of the following:

	August 31, 2019	August 31, 2018
Company related by common directors	\$ 18,286	\$ -
Total	\$ 18,286	\$ -

The amount due from the related party has no specific terms of repayment, is unsecured and non-interest-bearing.

11. RELATED PARTY TRANSACTIONS (continued)

d) Stock based compensation on grant of options:

During the year ended November 30, 2018 the Directors and officers were granted options with a recorded stock based compensation fair value of \$69,000 using the Black-Scholes Option Pricing Model (Note 8).

12. SUBSEQUENT EVENTS

On September 6, 2019, the Company closed a non-brokered private placement tranche for gross proceeds of \$435,320. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$17,760 in cash commissions and issued 177,600 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 177,600 common shares and 88,800 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months.

On September 11, 2019 the Company granted 1,300,000 incentive stock options to directors, officers and consultants exercisable for a period of two years at a price of \$0.15 per share.

On September 30, 2019, the Company closed a non-brokered private placement for gross proceeds of \$210,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$15,040 in cash commissions and issued 150,400 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 150,400 common shares and 75,200 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months.