



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED AUGUST 31, 2019 AND 2018
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TRES-OR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Note	August 31, 2019	February 28, 2019
ASSETS			
Current assets			
Cash		\$ 453,670	\$ 51,389
Marketable securities	3	30,643	22,698
Receivables	4	189,541	11,459
Prepays		50,659	-
Total current assets		724,513	85,546
Non-current assets			
Receivables	4	-	177,212
Exploration and evaluation assets	5	3,030,505	3,087,056
Total non-current assets		3,030,505	3,264,268
TOTAL ASSETS		\$ 3,755,018	\$ 3,349,814
LIABILITIES			
Current liabilities			
Accounts payable		\$ 90,644	\$ 223,290
Accounts payable to related parties	7	56,042	396,264
Flow through share premium liability	8	28,678	-
Total current liabilities		175,364	619,554
Non-current liabilities			
Accounts payable	7	33,040	-
Accounts payable to related parties	7	322,004	-
Loans payable	6	141,877	131,780
Total non-current liabilities		496,921	131,780
TOTAL LIABILITIES		672,285	751,334
EQUITY			
Share capital	8	17,004,384	16,378,631
Equity reserves	8	2,272,453	2,272,453
Accumulated other comprehensive income	3	16,949	9,004
Deficit		(16,211,053)	(16,061,608)
TOTAL EQUITY		3,082,733	2,598,480
TOTAL LIABILITIES AND EQUITY		\$ 3,755,018	\$ 3,349,814

Nature and continuance of operations (Note 1)

Approved by the Board of Directors on October 29, 2019:

"Gareth E. Mason "

Director

"Laura Lee Duffett"

Director

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

TRES-OR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

		Three months ended		Six months ended	
		August 31,		August 31,	
	Note	2019	2018	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES					
Consulting fees		\$ -	\$ -	\$ -	\$ 31,850
Interest on loans payable		5,114	-	10,097	-
Management fees	7	15,000	13,500	28,500	27,000
Office and miscellaneous		8,672	6,247	11,623	8,189
Professional fees	7	36,348	20,651	39,641	33,947
Settlement of flow through share premium liabilities	8	(2,261)	-	(2,261)	-
Transfer agent and regulatory fees		14,115	7,151	16,303	9,064
Travel and promotion	7	34,088	26,761	45,542	43,611
Loss for the period		(111,076)	(74,310)	(149,445)	(153,661)
OTHER COMPREHENSIVE LOSS					
Unrealized gain (loss) on marketable securities	3	10,501	(607)	7,945	(4,615)
Total comprehensive loss for the period		\$ (100,575)	\$ (74,917)	\$ (141,500)	\$ (158,276)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		12,239,742	10,694,297	11,467,020	10,693,699

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

TRES-OR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – February 28, 2018	10,689,297	\$ 16,373,322	\$ 2,231,985	\$ 15,175	\$ (15,805,596)	\$ 2,814,886
Exercise of stock options	5,000	5,309	(2,559)	-	-	2,750
Unrealized loss on marketable securities	-	-	-	(4,615)	-	(4,615)
Loss for the period	-	-	-	-	(153,661)	(153,661)
Balance – August 31, 2018	10,694,297	\$ 16,378,631	\$ 2,229,426	\$ 10,560	\$ (15,959,257)	\$ 2,659,360
Balance – February 28, 2019	10,694,297	\$ 16,378,631	\$ 2,272,453	\$ 9,004	\$ (16,061,608)	\$ 2,598,480
Private placement	3,306,531	625,753	-	-	-	625,753
Unrealized gain on marketable securities	-	-	-	7,945	-	7,945
Loss for the period	-	-	-	-	(149,445)	(149,445)
Balance – August 31, 2019	14,000,828	\$ 17,004,384	\$ 2,272,453	\$ 16,949	\$ (16,211,053)	\$ 3,082,733

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

TRES-OR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	For the six months ended August 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (149,445)	\$ (153,661)
Items not affecting cash		
Interest on loans payable	10,097	-
Settlement of flow through share premium liability	(2,261)	-
Changes in non-cash working capital items		
Receivables	(870)	4,060
Prepaid expenses	(50,659)	-
Accounts payable and accrued liabilities	(97,557)	58,835
Accounts payable to related parties	(10,816)	40,675
Net cash used in operating activities	(301,511)	(50,091)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(41,749)	(29,801)
Option payments received	5,000	100,000
Mining tax credits	87,251	-
Net cash provided by investing activities	50,502	70,199
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	659,180	-
Share issuance cost	(5,890)	-
Proceeds from exercise of options	-	2,750
Net cash provided by financing activities	653,290	2,750
Change in cash	402,281	28,858
Cash, beginning of the period	51,389	157,750
Cash, end of the period	\$ 453,670	\$ 180,608

Supplemental disclosure with respect to cash flows (Note 12)

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

TRES-OR RESOURCES LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE PERIODS ENDED AUGUST 31, 2019 AND 2018****(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

These condensed consolidated interim financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has working capital at August 31, 2019 of \$549,149 (February 28, 2019 – deficiency of \$534,008) and a deficit of \$16,211,053 (February 28, 2019 - \$16,061,608). The Company has not generated revenue from operations; additional financing will be required in the foreseeable future to fund the Company's established business plan. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

During the period ended August 31, 2019, the Company consolidated its share capital on a ten for one basis. These condensed consolidated interim financial statements reflect the share consolidation retroactively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). The significant accounting policies applied in these condensed consolidated interim financial statements are based on the IFRS issued and outstanding as of August 31, 2019.

TRES-OR RESOURCES LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE PERIODS ENDED AUGUST 31, 2019 AND 2018****(Expressed in Canadian Dollars)**

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Basis of Consolidation**

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

Name of subsidiary	Incorporation	Interest August 31, 2019	Interest February 28, 2019
Temagami-Diamonds Ltd.	Canada	100%	100%

Significant Accounting Estimates and Judgments

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

Critical accounting estimates

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

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

Critical accounting judgments

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

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

TRES-OR RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies

Significant accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the year ended February 28, 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended February 28, 2019.

New accounting standards and interpretation

New accounting standards adopted during the period

IFRS 16 – Leases

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

The Company adopted this standard effective March 1, 2019 and it did not have any significant differences on the condensed consolidated interim financial statements upon adopting the standard.

3. MARKETABLE SECURITIES

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

	August 31, 2019			February 28, 2019		
	Common shares	Market value	Cost	Common shares	Market value	Cost
Arctic Star Exploration Corp.	6,945	\$ 243	\$ 50,000	6,945	\$ 278	\$ 50,000
Orla Mining (formerly Pershimco Resources Inc.)	19,000	30,400	67,250	19,000	22,420	67,250
Battery Mineral Resources Pty Ltd.	30,000	-	-	30,000	-	-
		\$ 30,643	\$ 117,250		\$ 22,698	\$ 117,250

During the period ended August 31, 2019, the Company recognized an unrealized gain on marketable securities of \$7,945 (2018 – loss of \$4,615). The fair value of the shares from Battery Mineral Resources Pty Ltd. is determined to be \$Nil.

TRES-OR RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. RECEIVABLES

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

	August 31, 2019	February 28, 2019
Current		
Interest receivable (Note 5)	\$ 6,583	\$ 6,583
Cost recoveries receivable (Note 5)	177,212	-
GST and QST receivable	5,746	4,876
	\$ 189,541	\$ 11,459
Non-current		
Cost recoveries receivable (Note 5)	\$ -	\$ 177,212
	\$ -	\$ 177,212

TRES-OR RESOURCES LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIODS ENDED AUGUST 31, 2019 AND 2018

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Fontana and Duvay Gold Projects, Quebec	Diamond Projects	Other Projects, Quebec	Total
Balance, February 28, 2018	\$ 1,025,035	\$ 1,657,178	\$ 472,383	\$ 3,154,596
Expenditures				
Acquisition costs	60,161	4,605	-	64,766
Assays, staking, mapping	883	-	-	883
Drilling	2,925	-	-	2,925
Geological and geophysical	126,918	9,000	18,000	153,918
Office, miscellaneous and travel	-	309	-	309
	190,887	13,914	18,000	222,801
Mining tax credits and cost recoveries	(188,607)	(458)	(1,276)	(190,341)
Option Payments	-	-	(100,000)	(100,000)
	2,280	13,456	(83,276)	(67,540)
Balance, February 28, 2019	1,027,315	1,670,634	389,107	3,087,056
Expenditures				
Acquisition costs	914	584	-	1,498
Assays, staking, mapping	160	-	655	815
Field work	2,290	-	-	2,290
Geological and geophysical	18,500	8,500	-	27,000
Office, misc. and travel	148	3,949	-	4,097
	22,012	13,033	655	35,700
Mining tax credits	(80,902)	(476)	(5,873)	(87,251)
Option Payments	(5,000)	-	-	(5,000)
	(85,902)	(476)	(5,873)	(92,251)
Balance, August 31, 2019	\$ 963,425	\$ 1,683,191	\$ 383,889	\$ 3,030,505

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

a) Fontana and Duvay Gold Projects, Quebec, Canada*Fontana Gold Project*

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

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

TRES-OR RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED AUGUST 31, 2019 AND 2018
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5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

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

Fontana Gold Project (Cont'd)

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

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

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

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

During the period ended August 31, 2019, the Company entered into a definitive option agreement (the "Option Agreement") with Kiboko Exploration Inc. ("Kiboko") to advance the Company's Fontana Gold Project. Under the terms of the Option Agreement, Kiboko can earn an initial 65% interest in the Fontana Gold Project, subject to underlying royalties, within a four-year period from the closing of the Transaction under the following conditions:

- i) Making total cash payments or subscribing for securities of the Company totaling \$1,000,000 and
- ii) Complete a technical report prepared in accordance with NI 43-101 that establishes a mineral resource estimate of no less than 1,000,000 ounces of gold of Inferred classification or higher, or incur expenditures on the Fontana Gold Project's claims totaling \$4,000,000

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

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

TRES-OR RESOURCES LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIODS ENDED AUGUST 31, 2019 AND 2018

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)**a) Fontana and Duvay Gold Projects, Quebec, Canada (Cont'd)***Fontana Gold Project (Cont'd)*

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

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

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

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

Duvay Gold Project

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

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

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

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

TRES-OR RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

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

Duvay Gold Project (Cont'd)

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

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

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

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

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

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5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

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

Duvay Gold Project (Cont'd)

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

b) Other Projects, Quebec, Canada

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

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

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

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

c) Diamond Projects

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

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

During the year ended February 28, 2019 the Company received mining tax credits of \$8,422.

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6. LOANS PAYABLE

On December 30, 2014, the Company received a non-interest bearing loan from WMJ Metals Ltd. ("WMJ"), a company controlled by a Director of the Company, in the amount of \$50,000 to complete the Globex acquisition (Note 5b). It is a demand loan and shall be repaid within 90 days of demand for repayment being made by WMJ. During the year ended February 28, 2017, the Company made a repayment of \$20,000. As at August 31, 2019, \$30,000 remained outstanding.

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

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

7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of \$378,046 (February 28, 2019 - \$396,264) consists of amounts due to private companies controlled by a director and to a law firm in which a director of the Company is a partner.

During the period ended August 31, 2019, the Company entered into the following transactions with related parties:

- (a) Incurred \$27,000 (2018 - \$52,500) to a company controlled by a director for geological services which have been capitalized to exploration and evaluation costs and incurred \$28,500 (2018 - \$27,000) for management services. At August 31, 2019, there was \$322,004 (February 28, 2019 - \$337,771) owing to this company. During the period ended August 31, 2019, this company and a third party agreed to postpone the payment due date of \$322,004 and \$33,040 respectively until July 2021. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as non-current liabilities on the statements of financial position.
- (b) Incurred \$14,013 (2018 - \$16,029) in professional fees to a law firm in which a director is a partner. At August 31, 2019, there was \$56,042 (February 28, 2019 - \$58,493) owing to this law firm.
- (c) Incurred \$5,100 (2018 - \$5,100) as automobile allowance (included in travel and promotion) to a private company controlled by a director.
- (d) As at August 31, 2019, the Company owed \$141,877 in loans payable (February 28, 2019 - \$131,780) to a company controlled by a director.

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8. SHARE CAPITAL AND EQUITY RESERVES

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

Share transactions for the period ended August 31, 2019:

- a) Closed the first tranche of a private placement of 773,478 flow-through units (the "FT Units") at a price of \$0.23 per FT Unit and 2,533,053 non flow-through units (the "NFT Units") at a price of \$0.19 per NFT Unit, for total proceeds of \$659,180. Each NFT Unit consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.28 for a period of three years from the date of issue. Each FT Unit consists of one flow-through common share (a "FT Share") and one-half of one common share purchase warrant (a "FT Warrant"). Each whole FT Warrant entitles the holder to purchase one non-flow-through common share of the Company at an exercise price of \$0.40 for a period of one year from the date of issue. The Company recorded a share premium liability of \$30,939 in relation to the FT Units and had a liability of \$28,678 remaining at August 31, 2019. The Company also recorded cash share issuance costs of \$2,488 in relation to the private placement.

Share transactions for the year ended February 28, 2019:

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

Warrants

Warrant transactions are summarized as follows:

	Outstanding Warrants	Weighted average exercise price
Balance, February 28, 2018	796,000	\$ 0.94
Expired	(566,000)	1.00
Balance, February 28, 2019	230,000	0.80
Expired	(230,000)	0.80
Granted	2,919,792	0.30
Balance, August 31, 2019	2,919,792	\$ 0.30

Additional information regarding the warrants outstanding as at August 31, 2019 is as follows:

Number of Warrants	Exercise Price (\$)	Expiry Date
386,739	0.40	July 19, 2020
2,533,053	0.28	July 19, 2022
2,919,792		

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8. SHARE CAPITAL AND EQUITY RESERVES**Stock options**

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

A summary of the Company's outstanding share purchase options as at August 31, 2019 and the changes during the period are presented below:

	Number of Options	Weighted Average Exercise Price
Balance – February 28, 2018	1,060,000	\$ 0.52
Exercised	(5,000)	0.55
Balance – February 28, 2019 and August 31, 2019 - outstanding and exercisable	1,055,000	\$ 0.52

Additional information regarding the stock options outstanding as at August 31, 2019 is as follows:

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

9. MANAGEMENT OF CAPITAL

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

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10. FINANCIAL INSTRUMENTS

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

Liquidity Risk

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

Credit risk

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

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

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

Currency risk

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

Interest Rate Risk

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

Price Risk

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

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10. FINANCIAL INSTRUMENTS (Cont'd)

Fair Value

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

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

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

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

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

11. SEGMENTED INFORMATION

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

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions of the Company for the period ended August 31, 2019 were as follows:

- (a) Included in exploration and evaluation assets is \$116,000 which relates to accounts payable to related parties.
- (b) Included in accounts receivable is \$177,212 which relates to cost recoveries in exploration and evaluation assets.
- (c) Included in exploration and evaluation assets is \$18,944 which relates to accounts payable and accrued liabilities.
- (d) Included in accounts payable are share issuance cost of \$3,515.

Significant non-cash transactions of the Company for the period ended August 31, 2018 were as follows:

- (a) Included in exploration and evaluation assets is \$64,737 which relates to accounts payable to related parties.
- (b) Included in accounts receivable is \$137,724 which relates to cost recoveries in exploration and evaluation assets.
- (c) Included in exploration and evaluation assets is \$6,231 which relates to accounts payable and accrued liabilities.
- (d) Transferred a fair value of \$2,559 from equity reserves to share capital on the exercise of 5,000 stock options.