



Fidelity Minerals Corp.
(formerly Montan Mining Corp.)

Consolidated Financial Statements
For the year ended July 31, 2019 and 2018
(expressed in Canadian dollars, except where indicated)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Fidelity Minerals Corp. (formerly Montan Mining Corp.) (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a net working capital deficit of \$992,261 at July 31, 2019 and had not achieved profitable operations. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes 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.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 IFRS, 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 Peter Maloff.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 28, 2019

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Consolidated Statements of Financial Position

(Amounts expressed in Canadian dollars, except where indicated)

	Note	July 31, 2019	July 31, 2018
Assets			
Current assets			
Cash		\$ 204,146	\$ 15,765
Other receivables	6	15,977	34,478
Prepaid expenses	6	22,434	49,399
		242,557	99,642
Property plant and equipment	8	606,965	701,637
Exploration and evaluation properties	9	4,673,317	1,010,538
Total assets		\$ 5,522,839	\$ 1,811,817
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 912,494	\$ 632,453
Loan payable	11	201,690	366,774
Promissory notes and advances	10	120,634	330,372
		1,234,818	1,329,599
Shareholders' equity			
Share capital	12	10,607,706	6,588,827
Reserves	12	4,408,535	2,630,963
Deficit		(10,728,220)	(8,737,572)
Total shareholders' equity		4,288,021	482,218
Total liabilities and shareholders' equity		\$ 5,522,839	\$ 1,811,817

Nature of operations and going concern (note 1)

Subsequent event (note 20)

Approved by the Board of Directors

"Ian Graham"

Director

"Luis Zapata"

Director

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

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Consolidated Statements of Loss and Comprehensive Loss

(Amounts expressed in Canadian dollars, except where indicated)

	Note	Years Ended July 31,	
		2019	2018
General and administration expenses			
Administrative fees		\$ (608,866)	\$ (445,143)
Amortization		(113,376)	(105,565)
Exploration expenses		(38,797)	-
Consulting fee		(787,707)	(714,785)
Foreign exchange		(52,038)	(43,185)
Investor communications		(67,543)	(41,002)
Legal and professional fee		(71,481)	(191,570)
Stock-based compensation	13	(301,950)	(280,972)
		(2,041,758)	(1,822,222)
Other expense			
Finance cost – interest expense	10,11	(21,169)	(29,297)
Other income	8	72,279	57,620
Gain on settlement of accounts payable		-	5,775
Loss on shares for debt	12	-	(297,497)
Loss for the year		\$ (1,990,648)	\$ (2,085,621)
Other comprehensive (loss) income (“OCI”)			
Cumulative translation adjustment		(2,632)	55,040
Loss and comprehensive loss for the year		\$ (1,993,280)	\$ (2,030,581)
Loss per share			
Basic and diluted		\$ (0.02)	\$ (0.07)
Weighted average shares outstanding			
Basic and diluted		89,691,803	30,585,543

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Amounts expressed in Canadian dollars, except where indicated)

	Notes	Shares (note 12)	Share capital	Contingent Shares	Foreign currency Translation reserves	Reserves	Deficit	Total equity
Balance as at July 31, 2018		61,132,586	\$ 6,588,827	\$ 154,000	\$ (38,636)	\$ 2,515,599	\$ (8,737,572)	\$ 482,218
Cumulative translation adjustment		-	-	-	(2,632)	-	-	(2,632)
Share issuance – private placement	12	32,759,800	1,057,778	-	-	556,922	-	1,614,700
Share issued on acquisitions	12,7	30,250,000	2,431,250	-	-	1,105,791	-	3,537,041
Options exercised	12	2,750,000	302,278	-	-	(143,578)	-	158,700
Warrants exercised	12	2,000,000	160,881	-	-	(40,881)	-	120,000
Shares for debt	10,12	1,333,836	66,692	-	-	-	-	66,692
Stock based compensation	13	-	-	-	-	301,950	-	301,950
Net loss for the year		-	-	-	-	-	(1,990,648)	(1,990,648)
Balance as at July 31, 2019		130,226,222	\$ 10,607,706	\$ 154,000	\$ (41,268)	\$ 4,295,803	\$ (10,728,220)	\$ 4,288,021

	Notes	Shares (note 12)	Share capital	Contingent Shares	Foreign currency Translation	Reserves	Deficit	Total equity
Balance as at July 31, 2017		28,105,437	\$ 4,868,500	\$ 154,000	\$ (93,676)	\$ 2,011,627	\$ (6,651,951)	\$ 288,500
Cumulative translation adjustment		-	-	-	55,040	-	-	55,040
Share issuance - private placements	12	13,194,000	431,172	-	-	223,000	-	654,172
Shares issued for debt	12	19,833,149	1,289,155	-	-	-	-	1,289,155
Stock based compensation	13	-	-	-	-	280,972	-	280,972
Net loss for the year		-	-	-	-	-	(2,085,621)	(2,085,621)
Balance as at July 31, 2018		61,132,586	\$ 6,588,827	\$ 154,000	\$ (38,636)	\$ 2,515,599	\$ (8,737,572)	\$ 482,218

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

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Consolidated Statement of Cash Flows

(Amounts expressed in Canadian dollars, except where indicated)

	Note	For Years Ended July 31,	
		2019	2018
Cash used in operating activities			
Net loss for the year		\$ (1,990,648)	\$ (2,085,621)
Items not affecting cash			
Amortization		113,376	105,565
Share-based compensation	13	301,950	280,972
Interest expense		2,612	-
Foreign exchange		(26,677)	(5,400)
Gain on settlement of accounts payable		-	(5,775)
Loss on issuance of shares	12	-	297,497
Finance cost – interest expense		-	29,297
Change in non-cash working capital			
Decrease in other receivables		18,501	23,051
Decrease in prepaid expenses		26,965	26,955
Increase in accounts payable and accrued liabilities		746,731	456,421
Net cash used in operating activities		(807,190)	(877,038)
Cash flows from financing activities			
Proceeds from private placements	12	1,130,970	240,472
Proceeds from warrants exercised	12	-	-
Proceeds of promissory notes and advances	10	256,596	777,319
Repayment of promissory notes and advances	10	(106,535)	-
Repayment of loan payable	11	(173,148)	(117,880)
Net cash provided by financing activities		1,107,883	899,911
Cash flows used in investing activities			
Purchase of mineral property		(93,609)	-
Net cash used in investing activities		(93,609)	-
Effect of exchange rate changes on cash		(18,703)	(29,748)
Increase (decrease) in cash		188,381	(6,875)
Cash - beginning of year		15,765	22,640
Cash - end of year		\$ 204,146	\$ 15,765

Supplemental cash flow information (note 19)

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Notes to Consolidated Financial Statements

For the year ended July 31, 2019 and 2018

(Amounts expressed in Canadian dollars, except where indicated)

1 Nature of operations and going concern

Montan Mining Corp. was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003. The Company continued to British Columbia on June 7, 2018 and changed its name to Fidelity Minerals Corp. ("the Company") on January 24, 2019.

The head office of the Company is located at Suite 1201 – 1166 Alberni St., Vancouver, BC, V6E 3Z3 Canada and the registered office of the Company is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 1H2.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

On May 2, 2018, the Company completed a consolidation of common shares of the Company on the basis of three for one. All share and per share information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

Going concern

At July 31, 2019, the Company had net working capital deficit of \$992,261 (July 31, 2018 – \$1,229,957) and had not yet achieved profitable operations. In addition the Company had accumulated losses of \$10,728,220 (July 31, 2018 – \$8,737,572) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. In the past, the Company has been successful in obtaining financing, although there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

2 Basis of presentation

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 International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below were consistently applied to all periods presented.

The Board of Directors approved this set of financial statements on November 28, 2019.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting with the exception of the consolidated statement of cash flows.

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – 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 the Company's annual periods beginning August 1, 2019.

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(Amounts expressed in Canadian dollars, except where indicated)

The Company does not expect the adoption of IFRS 16 will have a significant impact on its consolidated financial statements as the Company does not have any long-term leases.

3 Estimates, risks and uncertainties

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Significant judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(i) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploratory drilling and evaluation costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(iii) Functional currency

The functional currency for each of the Company's subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

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(iv) Acquisition of Minera LBJ S.A.C.

During fiscal 2019, the Company acquired 100 % of the outstanding shares of Minera LBJ S.A.C., which holds a 44.5% ownership in Rial Minera S.A.C. which holds mineral concessions in Peru (Note 7). Management determined that the purchase represented an acquisition of assets rather than a business combination. The allocation of purchase consideration to each component is based on the relative fair value of the assets acquired.

(v) Stage of development

The Company has determined that all are properties held should be classified as exploration and evaluation assets. In making this determination, the Company must assess whether or not the properties meet the criteria for technical feasibility and commercial viability to be recognized as development stage assets.

Key sources of Estimation Uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(i) Depreciation and depletion

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves and a portion of measured and indicated and inferred resources. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on mineral reserves.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(ii) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

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For the year ended July 31, 2019 and 2018

(Amounts expressed in Canadian dollars, except where indicated)

(iii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(iv) Decommissioning and restoration provision

The Company assesses its reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate, and changes in discount rates. These uncertainties may result in future expenditures differing from the amounts currently provided.

(v) Contingent consideration

For asset acquisitions, contingent share consideration is an estimate of the fair value of the contingent amounts expected to be payable in the future. (Note 7)

4 Significant accounting policies

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiaries, Minera Strait Gold Peru S.A.C. ("MSG Peru"), Cerro Dorado S.A.C., M&F Minera Ofir S.A.C., Montan Capital Corp. ("MCC") and Minera LBJ SAC. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash

Cash consist of cash balances and demand deposits.

Mineral Properties

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property by property basis until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

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(Amounts expressed in Canadian dollars, except where indicated)

(iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved the asset is first tested for impairment and thereafter, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

(iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the UOP basis using estimated resources. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Impairment of exploration and evaluation properties

The Company reviews and evaluates the recoverable amount of its exploration and evaluation properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

- (i) substantive expenditure on further exploration and evaluation is not planned
- (ii) title to the asset is compromised
- (iii) the right to explore the property has expired or will expire shortly
- (iv) adverse changes in the regulatory or taxation environment
- (v) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

Fidelity Minerals Corp. (formerly Montan Mining Corp.)

Notes to Consolidated Financial Statements

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(Amounts expressed in Canadian dollars, except where indicated)

Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Property, plant and equipment

Property, plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of plant and equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant and equipment consist of roads and tailings dam, buildings and machinery and equipment and are amortized over their useful lives.

	Years
Roads and tailings dam	10
Buildings	10
Machinery & equipment	5-7
Vehicles	4-5

Major overhaul expenditures on mobile equipment and other tangible property, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits will flow to the Company.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the UOP or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company estimates that the present value of the required restoration, rehabilitation and environmental costs resulting from disturbance to date to be immaterial.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as units. Under the relative fair value method, the Company first determines the fair values of the shares and warrants included in the units, then allocates the unit price based on the relative fair value of the instruments included in the unit. The Company considers the fair value of common shares issued in these types of transactions to be determined by the closing quoted bid price on the issuance date. The fair value of the warrants included is determined using the Black-Scholes option pricing model. Any fair value attributed to the warrants is recorded to reserves.

Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries are: MSG Peru is the US dollar, MCC is the Canadian dollar, Cerro Dorado S.A.C. is the Peruvian Sol, M&F Minera Ofir S.A.C. is the Peruvian Sol. and Minera LBJ S.A.C. is the Peruvian Sol.

The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

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These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserves.

Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Comprehensive loss

The Company includes in comprehensive loss certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments, if any.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

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Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments - Recognition and Measurements

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents, and certain receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Investments are classified as FVTPL.

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. The Company recorded a bad debt expense based on the expected credit loss model.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities and loan payable are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

(iii) Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company’s functional currency and as a result, the warrants are derivative financial instruments.

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Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

5 Financial instruments

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, loan payable and promissory notes and advances. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and 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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and other receivables. The Company's cash is held through large Canadian financial institutions and other receivables are primarily related to tax credits receivable from the government of Canada.

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 16. The accounts payable and loans are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

The Company's market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is not exposed to significant interest rate risk. A 1% change in market interest rates would result in no significant change in value of cash and other financial instruments.

Foreign Exchange Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada and Peru. Certain costs and expenses are incurred in US dollars and Peruvian sol. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

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The Company's financial assets and liabilities as at July 31, 2019 are denominated in United States Dollars, Canadian Dollars, and Peruvian Soles, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash	\$ 203,591	\$ -	\$ 556	\$ 204,146
Other receivables	15,977	-	-	15,977
	219,567	-	556	220,123
Financial liabilities				
Accounts payables and accrued liabilities	(530,375)	(229,272)	(152,847)	(912,494)
Loan payable	-	(201,690)	-	(201,690)
Promissory notes and advances	(120,634)	-	-	(120,634)
Net financial (liabilities) assets	\$ (431,441)	\$ (430,962)	\$ (152,291)	\$ (1,014,694)

The Company's financial assets and liabilities as at July 31, 2018 are denominated in United States Dollars, Canadian Dollars, and Peruvian Soles, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash	\$ 6,534	\$ -	\$ 9,231	\$ 15,765
Other receivables	8,091	-	26,387	34,478
	14,625	-	35,618	50,243
Financial liabilities				
Accounts payables and accrued liabilities	(437,850)	(116,762)	(77,841)	(632,453)
Loan payable	-	(366,774)	-	(366,774)
Promissory notes and advances	(330,372)	-	-	(330,372)
Net financial (liabilities) assets	\$ (753,597)	\$ (483,536)	\$ (42,223)	\$ (1,279,356)

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Peruvian Sol exchange rate. As of July 31, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial liabilities by approximately \$43,096 (July 31, 2018 - \$48,354). A 10% appreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Peruvian Sol relative to the CAD dollar would have increased net financial liability by approximately \$15,229 (July 31, 2018 - \$4,222) and a 10% depreciation of the Peruvian Sol would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

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6 Receivables and prepaid expenses

	July 31, 2019	July 31, 2018
GST receivable	\$ 15,977	\$ 8,090
Peruvian tax credits	-	26,388
Other receivables - total	\$ 15,977	\$ 34,478
Prepaid expenses	\$ 22,434	\$ 49,399

7 Mineral property acquisitions

Minera LBJ S.A.C. Acquisition

On February 11, 2019 the Company completed the acquisition of 100% of the outstanding shares of Minera LBJ S.A.C. ("LBJ"), a Peruvian Company. The Company purchased 100% of the shares of LBJ, for consideration of 25,000,000 common shares and 12,500,000 warrants (\$0.08, 5 year term) in addition to finders fees of 1,250,000 common shares and 625,000 warrants (\$0.08, 5 year term). The purchase price allocation is summarized as follows:

25,000,000 common shares of the Company at \$0.085 CAD per share	\$ 2,125,000
12,500,000 share purchase warrants	1,053,134
1,250,000 common shares of the Company at \$0.085 CAD per share, finders' fees	106,250
625,000 share purchase warrants, finders' fees	52,657
Transaction costs	16,859
Total consideration	\$ 3,353,900

Allocated to:

Exploration and evaluation properties	3,353,900
Total consideration	\$ 3,353,900

Porphyritic Copper project

On May 22, 2019, the Company completed the acquisition of a 100% interest in the Porphyritic Copper project located in the district of La Libertad, Northern Peru, by issuing 4,000,000 in common shares, and by making a payment of US\$7,000 in cash. Further Milestone Payments of C\$500,000 and C\$250,000 are payable if, within 5 years, a NI 43-101 compliant resource of >500,000T of contained copper is published by Fidelity Minerals (Milestone 1), and/or a transaction exceeding C\$5,000,000 is consummated (Milestone 2), respectively.

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The purchase price allocation is summarized as follows:

4,000,000 common shares of the Company at \$0.05 CAD a share	\$	200,000
Milestone 1 – NI 43-101 compliant resource of > 500,000T of contained copper ⁽¹⁾		-
Milestone 2 – Transaction exceeding \$5,000,000 is consummated ⁽²⁾		-
Cash – USD \$7,000		9,136
Transaction costs		3,437
Total consideration	\$	212,573

⁽¹⁾ Management has determined that Milestone 1 of obtaining a NI 43-101 compliant resource of > 500,000T within 5 years is unlikely and therefore allocated a 0% probability.

⁽²⁾ Management has determined that Milestone 2 of consummating a transaction exceeding \$5,000,000 within 5 years is unlikely and therefore allocated a 0% probability.

Allocated to:

Exploration and evaluation properties		212,573
Total consideration	\$	212,573

Cerro El Bronce and Las Brujas Projects

On June 11, 2019, the Company entered into an acquisition agreement for 100% interest in the Cerro El Bronce and Las Brujas projects, located in the provinces of Cajamarca and Ancash, Northern Peru, respectively.

Total consideration for the acquisitions is as follows:

- Cash of USD \$10,000 upon the transfer of title into its Peruvian subsidiary. (Paid subsequent to year end)

- In the event the Company sells the concessions to an unrelated third party in the future, the vendors will receive 10% of the cash profits generated from the sale. The determination of cash profits essentially consists of the sale proceeds minus total expenditures made by the Company on the project up to the time of the sale, including transaction costs and taxes and duties related to the sale transaction.

- In the event the Company makes a decision to mine at the Las Brujas project, the Company will establish a 75:25 unincorporated JV with the vendors, where the majority interest in the JV is owned by the Company. In the event that the Las Brujas project is sold, any right by the Vendors to participate in a JV will expire.

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8 Property, plant and equipment

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
Cost					
Balance as at July 31, 2017	\$ 311,557	\$ 74,203	\$ 318,814	\$ 92,639	\$ 797,213
Movement in foreign exchange	17,389	4,134	15,724	3,725	40,972
Balance at July 31, 2018	\$ 328,946	\$ 78,337	\$ 334,538	\$ 96,364	\$ 838,185
Accumulated Depreciation					
Balance as at July 31, 2017	\$ -	\$ 112	\$ 19,843	\$ 11,028	\$ 30,983
Depreciation expense	31,157	7,420	45,419	21,569	105,565
Balance at July 31, 2018	\$ 31,157	\$ 7,532	\$ 65,262	\$ 32,597	\$ 136,548
Carrying Amount					
Balance at July 31, 2018	\$ 297,789	\$ 70,805	\$ 269,276	\$ 63,767	\$ 701,637

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
Cost					
Balance as at July 31, 2018	\$ 328,946	\$ 78,337	\$ 334,538	\$ 96,364	\$ 838,185
Movement in foreign exchange	7,892	1,878	7,478	1,456	18,704
Balance at July 31, 2019	\$ 336,838	\$ 80,215	\$ 342,016	\$ 97,820	\$ 856,889
Accumulated Depreciation					
Balance as at July 31, 2018	\$ 31,157	\$ 7,532	\$ 65,262	\$ 32,597	\$ 136,548
Depreciation expense	49,553	11,751	34,064	18,008	113,376
Balance at July 31, 2019	\$ 80,710	\$ 19,283	\$ 99,326	\$ 50,605	\$ 249,924
Carrying Amount					
Balance at July 31, 2019	\$ 256,128	\$ 60,932	\$ 242,690	\$ 47,215	\$ 606,965

Subsequent to year end, the Company entered into a binding agreement with certain private Peruvian interests ("the Purchasers"), to sell Cerro Dorado which includes all the property, plant and equipment see note 20. During the year ended July 31, 2019, \$72,279 (2018 - \$57,620) in equipment rental was recorded as other income.

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9 Exploration and evaluation properties

	Rey Salomon	Las Huaquillas	Copper project	Total
Balance as at July 31, 2017	\$ 966,723	\$ -	\$ -	\$ 966,723
Movement in foreign exchange	43,815	-	-	43,815
Balance at July 31, 2018	\$ 1,010,538	\$ -	\$ -	\$ 1,010,538
Acquisition Costs	-	3,353,900	212,573	3,566,473
Additions	-	64,177	-	64,177
Movement in foreign exchange	32,129	-	-	32,129
Balance at July 31, 2019	\$ 1,042,667	\$ 3,418,077	\$ 212,573	\$ 4,673,317

a) Rey Salomon property

Exploration and evaluation properties are comprised of certain concessions located in the district of Arequipa, province of Caravelí, Peru. Subsequent to year end, the Company entered into a binding agreement with certain private Peruvian interests ("the Purchasers"), to sell Cerro Dorado which includes the Rey Salomon concessions see note 20.

b) Las Huaquillas

The Las Huaquillas project is a precious and base metal project in northern Peru that is 44.5% held by the Company (Note 7). The concessions are located to the immediate south of the border with Ecuador.

c) Porphyritic Copper project

The Porphyritic Copper Project comprises three contiguous concessions 100% held by the Company (Note 7) located in La Libertad, Northern Peru.

d) Cerro El Bronce and Las Brujas Projects

The Las Brujas project consists of four concessions 100% held by the Company (Note 7) located in the Cajamarca province of Peru.

The Cerro El Bronce project consists of 2 concessions 100% held by the Company (Note 7) located in the Ancash province of Peru.

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10 Promissory notes and advances

	Advance (a)	Promissory Note (b)	Promissory Note (c)	Promissory Note (d)	Advances (e)	Promissory Note (f)	Promissory Note (g)	Promissory Note (h)	Total
Balance, July 31, 2017	\$ 28,905	\$ 120,000	\$ 10,263	\$ 129,070	\$ 91,800	\$ -	\$ -	\$ -	\$ 380,038
Accretion	470	-	-	-	-	-	-	-	470
Additional lending	-	-	32,247	-	14,685	91,550	30,000	608,837	777,319
Settlement for shares	(29,375)	(120,000)	(42,510)	(129,070)	(82,500)	-	(30,000)	(394,000)	(827,455)
Balance July 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ 23,985	\$ 91,550	\$ -	\$ 214,837	\$ 330,372
Additional lending	-	-	-	-	-	-	-	256,597	256,597
Settlement in shares	-	-	-	-	-	-	-	(359,800)	(359,800)
Repayment	-	-	-	-	(14,985)	(91,550)	-	-	(106,535)
Balance July 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ 111,634	\$ 120,634

- (a) On April 5, 2016, the Company entered into a loan agreement for \$30,000 with a private Canadian company. The loan accrued interest at a rate of 12% per annum, payable annually beginning February 5, 2017 with full repayment of unpaid interest and principle due on February 8, 2018. The fair value of the common shares, \$3,600, on date of execution was recorded as transaction costs and were netted against the loan. As at April 5, 2017, the Company issued 120,000 common shares to settle the transaction costs. The fair value of the Montan shares as at the date of issuance was \$0.065, a loss of \$4,200 on shares issued recorded for this transaction.

During the year ended July 31, 2018, \$470 (July 31, 2017 - \$1,880) was recorded as accretion expense. During the year ended July 31, 2018, \$900 (July 31, 2017- \$3,600) was recorded as interest expenses. As at July 31, 2018, the Company has accrued interest payable of \$nil for this loan (July 31, 2017 – \$4,800). The principal and accrued interest was purchased by Lions Bay Capital Inc. (“Lions Bay”) which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 m).

- (b) On July 20, 2017, the Company entered into an unsecured promissory note agreement for \$120,000 with a private Canadian company controlled by a director. The loan accrues interest at a rate of 6% per annum. The principal and interest was due on July 20, 2018. In the event that the loan is not repaid on the maturity date, the interest rate is increased to 24% prospectively. During the year ended July 31, 2019 \$nil (July 31, 2018 - \$3,866) was recorded as interest expense. The principal and accrued interest was purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 m).
- (c) On July 18, 2017, the Company entered into an unsecured promissory note agreement for \$10,263 with a director of the Company. During the year ended July 31, 2018 the Company received an additional \$32,247 in advances. The loan is non-interest bearing and the principal is due on July 18, 2018. The principal and accrued interest was purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 m).
- (d) On September 8, 2016, on maturity of convertible notes, the Company and note holders agreed to extend these amounts as promissory notes. During the year ended July 31, 2018 \$4,930 (July 31, 2017 - \$20,595) was recorded as interest expense. The principal and accrued interest was settled on the shares for debt completed on July 6, 2018 (see note 12 m).
- (e) On July 31, 2017, the Company received advances from various parties in the amount of \$91,800. The advances are unsecured, are non-interest bearing and have no repayment terms. During the year ended July 31, 2018, the Company received \$14,685 of additional advances. \$82,500 of the advances were purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 m). During the year ended July 31, 2019, \$14,985 was repaid.
- (f) On August 21, 2017, the Company entered into an unsecured promissory note agreement for \$25,000 with a private Canadian company. The loan accrued interest at a rate of 2% per annum. The principal and interest were due in one year. On September 6, 2017 and October 27, 2017 further advances were received for \$50,000 and \$16,550 respectively. These amounts accrue interest at

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a rate of 2% per annum. The principal and interest were due one year subsequent to advance. During the year ended July 31, 2018, \$1,600 (July 31, 2017 - \$nil) was recorded as interest expense. During the year ended July 31, 2019 the Company repaid the full amount of principal and interest.

- (g) On November 22, 2017, the Company entered into an unsecured promissory note agreement for \$30,000 with a private Canadian company. The loan accrues interest at a rate of 6% per annum. The principal and interest is due on November 22, 2018. The principal and accrued interest was purchased by Lions Bay which was then subsequently settled in the shares for debt transaction completed on July 6, 2018 (see note 12 m).
- (h) On December 5, 2017, the Company entered into an unsecured promissory note with Lions Bay. The loan accrues interest at a rate of 8% per annum. The principal and interest were due on December 5, 2018 and are now payable on demand. During the year ended July 31, 2019 the advances per the promissory note totaled \$256,579 (2018 - \$608,837). During the year ended July 31, 2019, \$359,800 was repaid (2018 - \$394,000) through the participation of \$12,900 in a warrant exercise and \$346,900 in private placements. During the year ended July 31, 2019 \$17,841 (July 31, 2018 - \$6,688) was recorded as interest expense.

11 Loan payable

As part of the Cerro Dorado acquisition, the Company acquired a secured loan payable to M&F Minera Ofir S.A.C. ("OFIR"). The total amount owing to OFIR was USD \$453,968 with an effective interest rate of 2.6% per annum which will be repaid in 24 equal monthly installments of USD \$18,915 commencing January 25, 2017 and ending December 25, 2018. During the year ended July 31, 2019, \$2,612 (July 31, 2018- \$14,957) was recorded as interest expense. During the year ended July 31, 2019, the Company repaid \$157,248 and restructured the loan to transfer the liability and security to Lions Bay Capital Inc ("Lions Bay"), a company with common directors and officers.

	July 31, 2019	July 31, 2018
Opening balance, beginning of year	\$ 366,774	\$ 455,645
Repayment	(157,248)	(117,880)
Interest expense	2,612	14,957
Interest paid	(15,900)	(10,295)
Foreign exchange	5,452	24,347
Closing balance, end of year	\$ 201,690	\$ 366,774

Subsequent to year end, the Company entered into a binding agreement with certain private Peruvian interests ("the Purchasers"), to sell Cerro Dorado and repay this amount as part of the sale. (See note 20)

12 Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

On May 2, 2018, the Company completed a consolidation of the common shares of the Company on the basis of three pre-consolidation common shares for one post-consolidation common share. All share and per share information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

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In addition to the above, as at July 31, 2019 the Company had 500,000 (July 31, 2018 – 2,500,000) common shares held in escrow as part of the Cerro Dorado acquisition. In total 3,333,333 shares were to be issued and 333,333 were released from escrow on closing on January 17, 2017, and 500,000 common shares will be released on every six (6) month anniversary of closing until all common shares are released by the end of 3 years.

Fiscal 2019

- a) On October 18, 2018, the Company issued 6,517,000 units at \$0.05 per unit for gross proceeds of \$325,850. Each unit consists of one common share and one transferable share purchase warrant with each warrant exercisable into one additional share at \$0.06 per share for one (1) year following the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.30% risk free interest rate, expected life of 1 year, 166% annualized volatility and 0% dividend rate. The value of the share was determined to be \$0.07. The share purchase warrant's relative fair value of \$117,140 was allocated to the warrant and recorded in reserves.

In connection with the first tranche, the Company issued finders' fees of 425,000 units having the same terms described above and 425,000 broker warrants with each broker warrant exercisable into one additional share at \$0.06 per share for two (2) years following the closing date. The fair value of the warrants associated with the units issued was calculated as \$0.04 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.30% risk free interest rate, expected life of 1 year, 166% annualized volatility and 0% dividend rate. The share purchase warrant's fair value of \$7,639 was recorded as transaction costs within share capital. The fair value of the broker warrants issued was calculated as \$0.04 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.31% risk free interest rate, expected life of 2 years, 170% annualized volatility and 0% dividend rate. The share purchase warrant's fair value of \$16,057 was recorded as transaction costs within share capital.

- b) On December 4, 2018, Company issued 80,000 units at \$0.05 per unit for gross proceeds of \$4,000. Each unit consists of one common share and one transferable share purchase warrant with each warrant exercisable into one additional share at \$0.06 per share for one (1) year following the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.31% risk free interest rate, expected life of 1 year, 171% annualized volatility and 0% dividend rate. The value of the share was determined to be \$0.07. The share purchase warrant's relative fair value of \$1,459 was allocated to the warrant and recorded in reserves.
- c) On February 6, 2019, the Company closed the first tranche of a private placement and issued 6,800,000 units at a price of \$0.05 per unit, for total gross proceeds of \$240,000 and a reduction in promissory notes payable of \$100,000. Each unit consists of one common share and a whole warrant, with each whole warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. The fair value of the warrants issued was calculated as \$0.04 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.84% risk free interest rate, expected life of 1 year, 148% annualized volatility and 0% dividend rate. The share purchase warrant's relative fair value of \$160,346 was recorded as transaction costs within share capital.
- d) On February 11, 2019, the Company closed the transaction to acquire the core Las Huaquillas Project for consideration of 25,000,000 common shares and 12,500,000 warrants (\$0.08, 5 year term) in addition to finders fees of 1,250,000 common shares and 625,000 warrants (\$0.08, 5 year term). The fair value of the 13,125,000 warrants issued was calculated as \$0.08 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.79% risk free interest rate, expected life of 5 year, 232% annualized volatility and 0% dividend rate. The share purchase warrant's fair value of \$1,105,792 was recorded as acquisition costs (note 7).
- e) On February 22, 2019, the Company closed the second and final tranche of the non-brokered private placement. The private placement was oversubscribed, and for the second tranche the Company issued 8,927,800 units at \$0.05 per unit for gross proceeds of \$346,390 and a reduction of \$100,000 in promissory notes payable. Each unit consists of one common share and one transferable share purchase warrant with each warrant exercisable into one additional Share at \$0.06 per share for one (1) year following the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.78% risk free interest rate, expected life of 1 year, 150% annualized volatility and 0% dividend rate. The share purchase warrant's relative fair value of \$150,389 was recorded as transaction costs within share capital.

In connection with the private placement, the Company paid a total of \$38,270 in finders' fees and issued 540,000 broker warrants with each broker warrant exercisable into one additional share at \$0.06 per share for one (1) year following the closing date. The

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broker warrants had the same weighted average assumptions as the unit warrants above. A value of \$13,718 was allocated to reserves.

- f) On July 12, 2019, the Company closed the first tranche of a non-brokered private placement and issued 11,010,000 units at a price of \$0.05 per unit, for total gross proceeds of \$253,000 and a reduction in accounts payable of \$127,500 and \$170,000 reduction in promissory notes. Each unit consists of one common share and one half transferable share purchase warrant with each full warrant exercisable into one additional share at \$0.06 per share for one (1) year following the closing date. The fair value of the 5,505,000 warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.58% risk free interest rate, expected life of 1 year, 143% annualized volatility and 0% dividend rate. The share purchase warrant's relative fair value of \$90,174 was recorded as transaction costs within share capital.
- g) On May 22, 2019, the Company completed the acquisition of a 100% interest in the Porphyritic Copper project located in the district of La Libertad, Northern Peru, by issuing 4,000,000 common shares (Note 7).
- h) During the year ended July 31, 2019, 2,750,000 options were exercised for a reduction in accounts payable of \$148,700.
- i) During the year ended July 31, 2019, 2,000,000 warrants were exercised for a reduction in promissory notes payable of \$12,900 and 107,100 in accounts payable.
- j) During the year ended July 31, 2019, 1,333,836 shares were issued to settled \$66,692 in accounts payable.

Fiscal 2018

- k) On June 22, 2018, the Company closed the first tranche of the private placement and issued 6,120,000 units at \$0.05 for total gross proceeds of \$151,000 and a reduction of loans of \$155,000. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.79% risk free interest rate, expected life of 1 year, 214% annualized volatility and 0% dividend rate. The value of the share was determined to be \$0.07. The share purchase warrant's relative fair value of \$101,000 was allocated to the warrant and recorded in reserves.
- l) On July 6, 2018, the Company closed the second tranche of the private placement and issued 7,074,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$145,202 and a reduction of loans of \$208,498. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.90% risk free interest rate, expected life of 1 year, 213% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.065. The share purchase warrant's relative fair value of \$122,000 was allocated to the warrants and recorded in reserves. The Company incurred share issuance costs of \$5,528 related to the private placement.
- m) On July 6, 2018, the Company completed a shares for debt transaction where Lions Bay purchased \$991,657 in indebtedness of the Company from the Company's creditors and settled this purchase with the issuance of Lions Bay shares. The acquired debt owned by Lions Bay was converted into 19,833,148 common shares of the Company at a deemed price of \$0.05. As the fair value of the shares on issuance was \$0.065 per share, for a total of \$1,289,155, the Company recorded a loss of \$297,497 on settlement of debt.

The following is a summary of the share purchase warrants outstanding as at July 31, 2019 and July 31, 2018:

	July 31, 2019		July 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	23,146,935	\$ 0.16	11,439,753	\$ 0.33
Issued	42,344,800	0.06	13,194,000	0.06
Expired	(14,276,489)	0.13	(1,486,818)	0.33
Exercised	(2,000,000)	0.06	-	-
Outstanding – as at end of year	49,215,246	\$ 0.10	23,146,935	\$ 0.16

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Number of warrants	Exercise price per warrant	Expiry date
2,723,328	\$0.30	October 27, 2021
3,113,785	\$0.30	December 15, 2021
1,033,333	\$0.30	January 13, 2022
6,942,000	\$0.06	October 18, 2019*
425,000	\$0.06	October 18, 2020
80,000	\$0.06	December 4, 2020
6,800,000	\$0.06	February 4, 2020
13,125,000	\$0.08	February 8, 2024
9,467,800	\$0.06	February 22, 2020
5,505,000	\$0.06	July 11, 2020
49,215,246		

*These warrants have expired subsequent to period end

As at July 31, 2019, the weighted average exercise price of the warrants outstanding was \$0.10 (July 31, 2018 - \$0.16) with a weighted average remaining contractual life of 1.86 years (July 31, 2018 – 1.56 years).

13 Share based compensation

The Company adopted a stock option plan (the “Stock Option Plan”) under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares.

During the year ended July 31, 2019, the Company granted an aggregate of 5,690,000 (2018 – nil) incentive stock options to certain directors, officers and consultants of the Company pursuant to the Company's previously approved Stock Option Plan. The fair value of the issuances was \$301,950 (2018 - \$280,972) for these stock options was determined using Black-Scholes option pricing model using the following weighted average assumptions:

	July 31, 2019	July 31, 2018
Expected option life	4.96 years	-
Expected stock price volatility	231%	-
Dividend payment during life of option	Nil	-
Expected forfeiture rate	Nil	-
Risk free interest rate	1.83%	-
Weighted average strike price CAD	\$ 0.06	\$ -
Weighted average fair value per warrant CAD	\$ 0.05	\$ -
Weighted average share price CAD	\$ 0.05	\$ -

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The following is a summary of the stock options outstanding as at July 31, 2019 and July 31, 2018:

	July 31, 2019		July 31, 2018	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding - beginning of year	6,113,260	\$ 0.09	2,341,657	\$ 0.24
Granted	5,690,000	0.06	5,154,935	0.21
Exercised	(2,750,000)	0.06	-	-
Cancelled or expired	(333,330)	0.30	(1,383,332)	0.07
Outstanding - end of year	8,719,930	\$ 0.09	6,113,260	\$ 0.09

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
74,998	\$0.30	March 7, 2020
499,997	\$0.30	August 2, 2021
50,000	\$0.21	January 17, 2022
5,154,935	\$0.08	July 9, 2023
2,880,000	\$0.06	February 28, 2028
60,000	\$0.06	April 17, 2020
8,719,930	\$0.09	

As at July 31, 2019, the weighted average exercise price of the stock options outstanding was \$0.09 (July 31, 2018 - \$0.09) with the weighted average remaining contractual life of 4.0 years (July 31, 2018 - 3.8 years). The average fair value of options issued during the year ended July 31, 2018 was \$0.05 (July 31, 2018 - \$0.05).

14 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

The remuneration of the Company's directors and other key management personnel during the year ended July 31, 2019 and July 31, 2018 are as follows:

	July 31, 2019	July 31, 2018
Consulting fees	\$ 264,164	\$ 124,013
Professional fees	30,000	30,000
Share-based payments	163,382	223,472

As at July 31, 2019 the Company had amounts payable of \$61,729 (July 31, 2018 - \$39,800) to these parties. These amounts are unsecured and non-interest bearing.

On December 5, 2017, the Company entered into an unsecured promissory note with Lions Bay, a company with common directors and officers. The loan accrues interest at a rate of 8% per annum. The principal and interest were due on December 5, 2018 and are now payable on demand. During the year ended July 31, 2019 the advances per the promissory note totaled \$256,579 (2018 - \$608,837).

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During the year ended July 31, 2019, \$359,800 was repaid (2018 - \$394,000) through the participation of \$12,900 in warrant exercise and \$346,900 in private placements. During the year ended July 31, 2019 \$17,841 (July 31, 2018 - \$6,688) was recorded as interest expense.

15 Segment disclosures

The Company operates in two geographical and two operating segments. The operating segments are managed separately based on the nature of operations. Exploration and development is primarily the Cerro Dorado project and the recently acquired exploration projects in Peru. Other selected financial information by geographical segment is as follows

The Company operates in two operating segments in two countries, with corporate in Canada and exploration in Peru. The Company's assets by country are:

	As at July 31, 2019			As at July 31, 2018		
	Canada	Peru	Total	Canada	Peru	Total
Assets						
Property, plant and equipment	\$ -	\$ 606,965	\$ 606,965	\$ -	\$ 701,637	\$ 701,637
Exploration and evaluation properties	\$ -	\$ 4,673,317	\$ 4,673,317	\$ -	\$ 1,010,538	\$ 1,010,538

16 Capital management

The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

17 Commitments

On January 17, 2017, the Company completed the acquisition of Cerro Dorado S.A.C. ("Cerro Dorado"), a Peruvian Company. As part of the acquisition the Company has the following contingent consideration:

1. Issue 666,667 common shares of the Company upon the sale of 1,000 oz gold-contained ore or dore from either the mine or the plant.
2. Issue 666,667 common shares of the Company upon the sale of an additional 2,000 oz of gold-contained ore or dore (3,000 oz total) from either the mine or the plant.

On May 22, 2019, the Company completed the acquisition of a 100% interest in the Porphyritic Copper project located in the district of La Libertad, Northern Peru, by issuing 4,000,000 in common shares, and by making a payment of US\$7,000 in cash. Further Milestone Payments of C\$500,000 and C\$250,000 are payable if, within 5 years, a NI 43-101 compliant resource of >500,000T of contained copper is published by Fidelity Minerals (Milestone 1), and/or a transaction exceeding C\$5,000,000 is consummated (Milestone 2), respectively. Management has determined that Milestone 1 and 2 are unlikely and therefore allocated a 0% probability of achieving them.

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18 Income taxes

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.00% (2018 - 26.58%) as follows:

	July 31, 2019	July 31, 2018
Loss for the year	\$ (1,990,648)	\$ (2,085,621)
Expected income tax recovery	(537,000)	(544,000)
Change in statutory, foreign tax, foreign exchange rates and other	(78,000)	(106,000)
Share issuance costs	(16,000)	(1,000)
Permanent differences	(14,000)	117,000
Change in unrecognized deductible temporary differences	645,000	544,000
Total income tax expense (recovery)	\$ -	\$ -

As at July 31, 2019, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	July 31, 2019	July 31, 2018
Mineral properties, property, plant and equipment	\$ 4,230,000	\$ 4,246,000
Share issue costs	55,000	11,000
Canadian non-capital losses available for future period	6,625,000	4,915,000
Peruvian non-capital losses available for future period	2,295,000	1,837,000

The Company's non-capital losses available for future periods expire between 2021 and 2039.

19 Supplemental cash flow information

		For Year Ended July 31,	
		2019	2018
Supplemental cash flow information- non-cash financing and investing activities	Note		
Shares and warrants issued on acquisitions of exploration and evaluation properties		3,537,041	\$ -
Fair value of shares and warrants issued to settle liabilities	11	215,800	-
Fair value of shares and warrants issued to promissory notes and advances		332,900	-
Reduction in accounts payable for shares for debt	12	66,692	577,903
Reduction in promissory notes and advances for shares for debt	12	-	827,455

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20 Subsequent event

- a) On September 4, 2019, Company issued 1,068,000 units at \$0.05 per unit for a reduction of \$53,400 in accounts payable. Each unit consists of one common share and one half transferable share purchase warrant with each warrant exercisable into one additional share at \$0.06 per share for one (1) year following the closing date.
- b) Subsequent to year end, the Company entered into a binding agreement with certain private Peruvian interests ("the Purchasers"), to immediately commence the final capital investments required to upgrade and commission the Cerro Dorado CIL plant in Arequipa, Peru. The transaction involves staged payments to the Company and will conclude with the final transfer of the Cerro Dorado SAC subsidiary to the Purchaser, at completion. Cerro Dorado SAC holds title to four mineral concessions, including the Rey Salomon mine and the Cerro Dorado gold plant.

The binding agreement commits the Purchasers to perform certain capital improvements to the plant, including the purchase and installation of a weigh-scale, metallurgical and assay laboratory, tailings liner and other production related improvements, and to make quarterly payments to the Company over a twelve month period. The total Cerro Dorado cash consideration for the sale of Cerro Dorado SAC is US\$1,430,000, with the first payment already received by the Company. Certain adjustments, deductions and disbursements will be made from the consideration payments to clear local accounts payable and entitlements, prior to the assumption of operatorship by the Purchaser.