



**PowerOre Inc.**

**Condensed Interim Financial Statements**  
**Unaudited**

**For the nine and three months ended July 31, 2019 and 2018**  
*(Expressed in Canadian Dollars unless otherwise indicated)*

### ***Management's responsibility for financial reporting***

The accompanying condensed interim financial statements of PowerOre Inc. (the "Company" or "PowerOre") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 of the condensed interim financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the interim condensed financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim financial statements and (ii) the condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of July 31, 2019 and for the periods presented by the condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### ***Management's assessment of internal control over financial reporting ("ICFR")***

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

*("signed")*  
(Stephen Stewart)  
CEO

*("signed")*  
(Jeffrey Potwarka)  
CFO

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying condensed 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 condensed interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants for a review of condensed interim financial statements by an entity's auditor.

**PowerOre Inc.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)  
As at

	Notes	July 31, 2019 ( <i>unaudited</i> )	October 31, 2018 ( <i>audited</i> )
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 484,214	\$ 500,337
GST/HST and QST receivable		74,419	19,372
Due from Orefinders Resources Inc.	10	34,833	10,160
Prepaid expenses	10	2,985	11,300
Total current assets		596,451	541,169
Exploration and evaluation assets	5,10	1,003,015	506,012
<b>TOTAL ASSETS</b>		<b>\$ 1,599,466</b>	<b>\$ 1,047,181</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 26,845	\$ 24,470
Flow-through share liability	8,13	61,374	47,291
<b>TOTAL LIABILITIES</b>		<b>88,219</b>	<b>71,761</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	\$ 1,964,509	\$ 1,225,573
Share-based payment reserve	9	630,881	346,262
Deficit		(1,084,143)	(596,415)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,511,247</b>	<b>975,420</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,599,466</b>	<b>\$ 1,047,181</b>

Nature of operations and going concern (Notes 1 and 2)  
Commitments and contingencies (Notes 5 and 13)

Approved on behalf of the Directors:

*"Alex Stewart"*

Alex Stewart – Director

*"Stephen Stewart"*

Stephen Stewart – Director

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

**PowerOre Inc.**  
**Condensed Interim Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

<i>(unaudited)</i>	Notes	Nine months ended July 31 2019	Period from February 1, 2018 (date of incorporation) to July 31, 2018	Three months ended July 31 2019	Three months ended July 31 2018
<b>Expenses</b>					
Consulting and management fees	10	\$ 272,350	\$ 83,850	\$ 83,750	\$ 63,850
Office, rent and general		30,014	1,871	15,370	1,736
Professional fees		60,679	17,780	6,633	17,780
Share-based compensation	9	120,000	223,168	120,000	223,168
Reorganization costs		-	62,510	-	62,510
Transfer agent, filing fees and shareholder Communications		52,121	106,404	11,587	106,404
Travel and related costs		38,703	9,510	12,757	9,510
		573,867	505,093	250,097	484,958
<b>Loss from operations for the period</b>		(573,867)	(505,093)	(250,097)	(484,958)
<b>Deferred income tax recovery</b>					
Flow-through share premium renunciation	8,11,13	86,139	(51,333)	69,116	(51,333)
<b>Net loss and comprehensive loss for the period</b>		\$ (487,728)	\$ (556,426)	\$ (180,981)	\$ (536,291)
<b>Weighted average number of shares, basic and diluted</b>		39,383,684	9,935,912	39,383,684	9,935,912
<b>Loss per share, basic and diluted</b>		\$ (0.01)	\$ (0.06)	\$ (0.00)	\$ (0.05)

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

**PowerOre Inc.**  
**Condensed Interim Statements of Changes in Equity**  
(Expressed in Canadian dollars)

<i>(unaudited)</i>	Share capital		Share-based Payment Reserve	Deficit	Total
	Number of shares	Amount			
<b>Balance at February 1, 2018</b>	-	\$ -	\$ -	\$ -	\$ -
Shares issued upon incorporation	1	0.01	-	-	0.01
Loss for the period	-	-	-	(556,426)	(556,426)
Shares issued for exploration and evaluation assets	11,000,000	550,000	-	-	550,000
Shares issued on flow-through private placement	5,133,333	308,000	-	-	308,000
Value of warrants	-	(36,000)	36,000	-	-
Shares issued on private placement	13,840,000	692,000	-	-	692,000
Value of warrants	-	(109,000)	109,000	-	-
Share issuance costs	-	(8,960)	-	-	(8,960)
Share-based payments	-	-	223,168	-	223,168
<b>Balance at July 31, 2018</b>	29,973,334	1,396,040	368,168	(556,426)	1,207,782
Loss for the period	-	-	-	(39,989)	(39,989)
Premium allocated to flow-through shares	-	(56,467)	-	-	(56,467)
Shares issued for exploration and evaluation assets - adjustment	-	(110,000)	-	-	(110,000)
Share issuance costs	-	(4,000)	-	-	(4,000)
Value of warrants issued under plan of arrangement	-	-	15,000	-	15,000
Finders' warrants issued	-	-	4,000	-	4,000
Share-based payments	-	-	(40,906)	-	(40,906)
<b>Balance at October 31, 2018</b>	29,973,334	\$ 1,225,573	\$ 346,262	\$ (596,415)	\$ 975,420
Loss for the period	-	-	-	(487,728)	(487,728)
Shares issued on flow-through private placement	5,011,100	601,332	-	-	601,332
Value of warrants	-	(79,000)	79,000	-	-
Premium allocated to flow-through shares	-	(100,222)	-	-	(100,222)
Shares issued on private placement	4,380,000	438,000	-	-	438,000
Value of warrants	-	(71,000)	71,000	-	-
Finders' warrants issued	-	-	15,000	-	15,000
Share issuance costs	-	(51,710)	-	-	(51,710)
Warrants exercised during the period	19,250	1,536	(381)	-	1,155
Share-based payments	-	-	120,000	-	120,000
<b>Balance at July 31, 2019</b>	39,383,684	\$ 1,964,509	\$ 630,881	\$ (1,084,143)	\$ 1,511,247

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

**PowerOre Inc.**  
**Condensed Interim Statements of Cash Flows**  
(Expressed in Canadian dollars)

<i>(unaudited)</i>	Nine months ended July 31 2019	Period from February 1, 2018 (date of incorporation) to July 31, 2018	Three months ended July 31 2019	Three months ended July 31 2018
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Loss for the period	\$ (487,728)	\$ (556,426)	\$ (180,981)	\$ (536,291)
Items not involving cash				
Flow-through share premium renunciation	(86,139)	51,333	(69,116)	51,333
Share-based payments	120,000	223,168	120,000	223,168
Changes in non-cash working capital items				
Prepaid expenses	8,315	-	-	-
GST/HST receivable	(55,047)	(38,376)	(41,916)	(38,376)
Accounts payable and accrued liabilities	2,375	18,870	(13,593)	(1,130)
Net cash (used in) operating activities	(498,224)	(301,431)	(185,606)	(301,296)
<b>Financing activities</b>				
Issue of common shares and warrants	1,039,332	1,000,000	-	1,000,000
Subscription receipts	-	-	-	(780,000)
Exercise of warrants	1,155	-	-	-
Share issue costs	(36,710)	(8,960)	-	(8,960)
Advances from Orefinders	-	86,466	-	86,456
Net cash provided by financing activities	1,003,777	1,077,506	-	297,496
<b>Investing activities</b>				
Exploration and evaluation asset expenditures	(497,003)	(19,251)	(401,112)	(19,251)
Advances to Orefinders	(24,673)	-	(18,034)	-
Net cash (used in) provided by investing activities	(521,676)	(19,251)	(419,146)	(19,251)
<b>Net (Decrease) Increase in Cash</b>	(16,123)	756,824	(604,752)	(23,051)
<b>Cash, Beginning of Period</b>	500,337	-	1,088,966	779,875
<b>Cash, End of Period</b>	\$ 484,214	\$ 756,824	\$ 484,214	\$ 756,824

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

## **PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS**

PowerOre Inc. (“PowerOre” or “Company”), was incorporated under the Business Corporations Act (British Columbia) on February 1, 2018, as a wholly owned subsidiary of Orefinders Resources Inc. (“Orefinders”). Its principal business activity is the exploration, development and production of exploration and evaluation assets in Canada.

The head and principal office of the Company is located at 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7. The Company has no subsidiaries

During the October 31, 2018 period, the Company and Orefinders completed a statutory arrangement (the “Arrangement”). The Arrangement, together with associated transactions, resulting in the Company acquiring the Mann cobalt property and the MacMurchy nickel property from Orefinders in consideration for shares of the Company and the shareholders of Orefinders receiving a portion of those shares of the Company (Note 12).

### **2. GOING CONCERN**

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown as exploration and evaluation assets is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company raised funds during the period ended July 31, 2019 and has utilized these funds for its exploration programs and working capital requirements. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at July 31, 2019, the Company had working capital of \$511,157 (October 31, 2018 -\$469,408) and an accumulated deficit of \$1,084,143 (October 31, 2018 - \$596,415).

The Company has no proven history of performance, earnings or success. However, management believes that the Company has sufficient working capital to continue operating over the next 12 months.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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 in the normal course of business and at amounts that may differ from those shown in these financial statements. Such adjustments could be material.

The condensed interim financial statements were authorized for issue on September 27, 2019 by the directors of the Company.

**PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

***Statement of compliance***

The condensed interim financial statements for the nine months ended July 31, 2019 were prepared in accordance with IAS 34 International Accounting Standard – “Interim Financial Reporting” (IAS 34) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) have been condensed or omitted. The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation’s audited annual financial statements for the year ended October 31, 2018, except as disclosed under changes to significant accounting policies, and should be read in conjunction with those financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

***Basis of presentation***

The condensed interim financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs.

***Functional and presentation currency***

The functional currency of the Company is determined using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency. The Company does not have any significant expenditures in foreign currencies.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

***Significant accounting judgements, estimates and assumptions***

The preparation of these financial statements requires management to make estimates 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 financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are 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 the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

***(a) Capitalization of exploration and evaluation assets***

Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 5 for details of exploration and evaluation assets.

***(b) Impairment of exploration and evaluation assets***

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company’s properties, costs to sell the properties and the appropriate discount rate.

**PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in an impairment of the carrying amounts of the Company's exploration and evaluation assets.

*(c) Estimation of decommissioning and restoration costs and timing of expenditure*

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals.

*(d) Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

*(e) Share-based payments and warrants*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

*(f) Contingencies*

Refer to Note 13

***Exploration and evaluation expenditures***

Exploration and evaluation expenditures ("E&E") include the costs of acquiring licenses and costs associated with exploration and evaluation activities. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

E&E costs consist of:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Revenues realized before commencement of commercial production ("pre-production revenues"), which are not incidental but are necessary to bring the mine to the condition required to be operating in the manner intended by management, are recorded as a reduction of the respective mining asset.

**PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

***Impairment of non-financial assets***

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss.

***Share-based payments***

The Company has adopted an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments issued at the grant date. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates market and vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The share-based payment reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in share-based payment reserve.

***Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the period ended July 31, 2019.

**PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

*Financial instruments*

Financial assets

*Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

*Subsequent measurement - Financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company has no assets classified as financial assets at FVPL.

*Subsequent measurement - Financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

*Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

*Impairment of financial assets*

The Company's only financial asset subject to impairment is the amount due from Orefinders, which is measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable has been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

**PowerOre Inc.**

Condensed Interim Notes to the Financial Statements - Unaudited

For the nine and three months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)***Subsequent measurement - financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

*Financial instruments fair value hierarchy*

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

*Income tax*

Income tax expense is comprised of both current and deferred income taxes. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*Flow-through share issuances*

The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the Canadian Income Tax Act ("Tax Act"). Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian exploration and development expenses as defined in the Tax Act.

Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying expenditures to flow-through investors. On issuance, the Company allocates a portion of the subscription proceeds as a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a flow-through share liability. As expenditures are incurred and applied against the Company's associated flow-through commitment, the premium liability is reduced proportionately, charged as a deferred income tax recovery in operations.

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

*Asset retirement obligations ("ARO")*

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss. The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at July 31, 2019.

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

(ii) IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

(iii) IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

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**5. EXPLORATION AND EVALUATION ASSETS**

The following are details of the Company's exploration and evaluation assets:

	Mann/MacMurphy	Opemiska	Total
<b>Balance, February 1, 2018</b>	\$ -	\$ -	\$ -
Acquisition costs	455,000	-	455,000
Exploration costs	51,012	-	51,012
<b>Balance, October 31, 2018</b>	<b>\$ 506,012</b>	<b>\$ -</b>	<b>\$ 506,012</b>
Acquisition costs	-	4,000	4,000
Exploration costs	16,961	476,042	493,003
<b>Balance, July 31, 2019</b>	<b>\$ 522,973</b>	<b>\$ 480,042</b>	<b>\$ 1,003,015</b>

**Mann/MacMurphy Property**

The Company has 100% ownership of the Mann Silver-Cobalt Mine and the MacMurphy nickel property, both of which are in the Shining Tree district of Ontario. The Mann Property consists of 18 contiguous mining claims and the MacMurphy Property consists of 1 mining claim. These properties are subject to various NSR ranging from 2% to 4% with rights to buyback of 1% of the NSR for \$1,000,000. The properties were acquired as part of the plan of arrangement (Note 12) and were valued at \$440,000 using a fair market value of \$0.04 per common share that was assigned to the 11,000,000 common shares issued as consideration. The value of the \$0.04 was based on the value attributed to the common shares in the private placement discussed in Note 9(c). The acquisition costs also include the fair value of PowerOre warrants that were issued under the plan of arrangement in the amount of \$15,000 which was estimated using the Black-Scholes option pricing model (Note 9).

**Opemiska Property**

On December 12, 2018, the Company entered into an agreement to acquire a 100% interest in the Opemiska Copper Mine Complex from Explorateurs-Innovateurs de Quebec Inc. ("Ex-In"), a privately-owned company. It is located adjacent to the town of Chapais, Quebec within the Chibougamau region and consists of 11 mining claims.

To acquire a 100% interest in the Opemiska Copper Complex, the Company and Ex-In entered into a definitive agreement with the effective date being May 23, 2019. Its terms are as follows: 6 months after the effective date, the Company will issue 1.5 million shares, 1.5 million warrants (\$0.20 exercise price) and pay \$50,000 to Ex-In; By the 18<sup>th</sup> month after the effective date, the Company will incur \$500,000 in work expenditures on Opemiska, issue 1.5 million shares and 1.5 million warrants (\$0.25 exercise price) and pay \$150,000 to Ex-In; By the 30<sup>th</sup> month after the effective date, The Company will incur an additional \$1,000,000 in work expenditures on Opemiska, issue 2 million shares and 2 million warrants (\$0.30 exercise price) and pay \$300,000 to Ex-In; By the 42<sup>nd</sup> month after the effective date, the Company will incur an additional \$1,500,000 in work expenditures on Opemiska, issue 3 million shares and 3 million warrants (\$0.35 exercise price) and pay \$1,000,000 to Ex-In. The Opemiska Copper Complex is subject to a 2% NSR, 50% of which can be re-purchased by the Company at a cost of \$4.5 million. At any time, the Company can accelerate its obligations to exercise 100% ownership of Opemiska Copper Complex at an earlier date. Subject to certain adjustments in the case of accelerated issuance, all warrants to be issued to Ex-In will expire 36 months after their date of issuance. All securities to be issued to Ex-In will be subject to a four-month hold period in accordance with applicable laws. The transaction was subject to TSX Venture approval and the Company received the necessary approvals on May 23, 2019.

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**6. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns to shareholders and benefits to other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or return capital to shareholders.

There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended July 31, 2019. The Company is not subject to externally imposed capital restrictions.

**7. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Fair value of financial instruments***

The fair value of financial instruments approximates their carrying value due to the short-term maturity of these instruments. As at July 31, 2019, the Company has no financial instruments to classify in the fair value hierarchy.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. Cash is held with major banks in Canada. Management assesses credit risk of cash as remote.

***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 strives to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. In the long-term, the Company may have to issue additional equity to ensure there is sufficient capital to meet long-term objectives.

***Currency and interest rate risk***

The Company is not exposed to any significant foreign exchange risk or interest rate risk.

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	July 31, 2019	October 31, 2018
Financial assets at amortized costs:		
Cash	\$ 484,214	\$ 500,337
Due from Orefinders Resources Inc.	34,833	10,160
	<u>\$ 519,047</u>	<u>\$ 510,497</u>

Financial liabilities included in the statement of financial position are as follows:

	July 31, 2019	October 31, 2018
Financial liabilities at amortized costs:		
Accounts payable and accrued liabilities	\$ 26,845	\$ 24,470
	<u>\$ 26,845</u>	<u>\$ 24,470</u>

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**8. FLOW-THROUGH SHARE LIABILITY**

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the required exploration expenditures. Upon issuance of the flow-through shares on June 1, 2018 in the amount of \$308,000, the Company recorded a flow-through liability of \$56,467 and upon issuance of the flow-through shares on March 29, 2019 in the amount of \$601,332, the Company recorded a flow-through liability of \$100,222. As expenditures are incurred, the flow-through share liability is reversed. From November 1, 2018 to July 31, 2019, the Company incurred \$544,015 in eligible exploration expenditures and the flow-through share liability was reduced by \$86,139 and a corresponding \$86,139 (2018 - \$Nil) deferred income tax recovery was recorded in the condensed interim statement of loss. At July 31, 2019, the flow-through share liability was \$61,374 (October 31, 2018 - \$47,291).

**9. SHARE CAPITAL***Authorized share capital*

Unlimited number of voting common shares without par value.

*Issued share capital*

(a) On February 1, 2018, the Company issued one common share for proceeds of \$0.01 to Orefinders.

(b) On May 30, 2018, pursuant to a plan of arrangement (Note 12), the Company issued 11,000,000 common shares as consideration for Orefinders transferring its Mann property and MacMurchy property to the Company. A fair market value of \$0.04 per common share was assigned to the 11,000,000 common shares issued as consideration based on the value attributed to the common shares in the private placement discussed in Note 9 (c).

(c) On June 1, 2018, the Company completed a non-brokered flow-through private placement of 5,133,333 units at a price of \$0.06 per unit, to raise proceeds of \$308,000. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at \$0.10 per share, until June 1, 2020. The valuation of the warrants was estimated in the amount of \$36,000 using the Black-Scholes option pricing model. In addition, the Company received subscriptions for a non-brokered hard dollar private placement of 13,840,000 units at a price of \$0.05 per unit, to raise proceeds of \$692,000. The valuation of the warrants was estimated in the amount of \$109,000 using the Black-Scholes option pricing model. Each unit consists of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share, at \$0.08 per share, until June 1, 2020. Total aggregate private placement proceeds were \$1,000,000. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 1.91% and an expected life of 2 years. In connection with the private placements, the Company incurred finders' fees of \$8,960 and also issued 91,000 finders' warrants to acquire shares at \$0.06 per share until June 1, 2020 and 105,000 finders' warrants to acquire shares at \$0.05 per share until June 1, 2020. The fair value of the finders' warrants was estimated at \$4,000 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 1.91% and an expected life of 2 years.

(d) On March 29, 2019, the Company completed a non-brokered flow-through private placement of 5,011,100 units at a price of \$0.12 per unit, to raise proceeds of \$601,332. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at \$0.16 per share, until March 29, 2021. The valuation of the warrants was estimated in the amount of \$79,000 using the Black-Scholes option pricing model. In addition, the Company received subscriptions for a non-brokered hard dollar private placement of 4,380,000 units at a price of \$0.10 per unit, to raise proceeds of \$438,000. The valuation of the warrants was estimated in the amount of \$71,000 using the Black-Scholes option pricing model. Each unit consists of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share, at \$0.15 per share, until March 29, 2021. Total aggregate private placement proceeds were \$1,039,332. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 1.55% and an expected life of 2 years. In connection with the

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**9. SHARE CAPITAL (cont'd)**

private placements, the Company incurred cash finders' fees of \$36,710 and also issued 331,555 finders' warrants to acquire shares at \$0.10 per share until March 29, 2021. The fair value of the finders' warrants was estimated at \$15,000 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 1.55% and an expected life of 2 years.

**Stock options**

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding shares. Otherwise specified otherwise by the Board of Directors options vest on the date of grant.

A summary of the changes in the Company's stock options is set out below:

	July 31, 2019		October 31, 2018		
	Number of options	Weighted average exercise price	Weighted average life (years)	Number of options	Weighted average exercise price
Options outstanding, beginning of period	5,950,000	\$ 0.05	3.85	-	\$ -
Options granted	1,825,000	\$ 0.10	4.94	5,950,000	\$ 0.05
Options outstanding, end of period	7,775,000	\$ 0.06	4.10	5,950,000	\$ 0.05
Options exercisable, end of period	7,775,000	\$ 0.06	4.10	5,950,000	\$ 0.05

On July 8, 2019, the Company granted 1,825,000 stock options with an exercise price of \$0.10 and a term of five years. These options vested immediately. The total fair value of \$120,000 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.57% and an expected volatility of 100%. The granting of these options resulted in a share-based payment expense of \$120,000 being recorded during the period ended July 31, 2019.

On June 5, 2018, the Company granted 5,950,000 stock options with an exercise price of \$0.05 and a term of five years. These options vested immediately. The total fair value of \$182,262 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 2.11% and an expected volatility of 100%. The granting of these options resulted in a share-based payment expense of \$182,262 being recorded during the period ended October 31, 2018.

The following incentive stock options were outstanding and exercisable at July 31, 2019:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
5,950,000	5,950,000	\$ 0.05	June 5, 2023
1,825,000	1,825,000	\$ 0.10	July 8, 2024
7,775,000	7,775,000	\$ 0.06	

The weighted average fair value of all grants in the period ended July 31, 2019 was \$0.066 (2018 - \$0.04) per share.

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**9. SHARE CAPITAL (cont'd)****Warrants**

A summary of the changes in the Company's warrants is set out below:

	July 31, 2019		October 31, 2018		
	Number of warrants	Weighted average exercise price	Weighted average life (years)	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	10,012,064	\$ 0.084	1.58	-	\$ -
Warrants issued - flow-through dollar financing	2,505,550	0.16	1.66	2,566,667	0.10
Warrants issued – hard-dollar financing	2,190,000	0.15	1.66	6,920,000	0.08
Finders' warrants issued	331,555	0.10	1.66	91,000	0.06
Finders' warrants issued	-	-	-	105,000	0.05
Warrants exercised during the year	(19,250)	0.06	1.09	-	-
Warrants issued under plan of arrangement	-	-	-	329,397	0.003
Warrants outstanding, end of period	15,019,919	\$ 0.105	1.10	10,012,064	\$ 0.084

As at July 31, 2019 the following warrants were outstanding.

Number of warrants outstanding	Exercise Price	Expiry Date
2,566,667	\$ 0.10	June 1, 2020
6,920,000	\$ 0.08	June 1, 2020
71,750	\$ 0.06	June 1, 2020
105,000	\$ 0.05	June 1, 2020
125,235	\$0.007	December 30, 2019
169,203	\$0.001	January 6, 2020
34,959	\$0.003	January 6, 2020
2,505,550	\$0.16	March 29, 2021
2,190,000	\$0.15	March 29, 2021
331,555	\$0.10	March 29, 2021
15,019,919	\$0.15	

The fair value of the warrants issued under the plan of arrangement was estimated at \$15,000 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 1.92% and an expected life ranging from 0.39 years to 1.6 years. See Note 12.

**Share-based payment reserve**

A summary of the changes in the Company's share-based payment reserve is set out below:

	July 31, 2019	October 31, 2018
Balance – beginning of period	\$ 346,262	\$ -
Value of warrants issued on private placements	79,000	109,000
Value of warrants issued on private placements	71,000	36,000
Value of finders' warrants	15,000	4,000
Value of warrants issued under plan of arrangement	-	15,000
Value of warrants exercised	(381)	-
Share-based payments	120,000	182,262
Balance – end of period	\$ 630,881	\$ 346,262

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**10. RELATED PARTY TRANSACTIONS**

As at July 31, 2019, the Company had a receivable from Orefinders in the amount of \$34,833 (October 31, 2018 - \$10,160). The amount is unsecured, non-interest bearing with no fixed terms of repayment. Prepaid expenses included \$Nil (October 31, 2018 - \$11,300) in regards to management fees paid to an officer in advance.

As at July 31, 2019, Orefinders Resources Inc. held 5,059,752 common shares or approximately 13% of the common shares outstanding of the Company.

In the private placement referred to in Note 9(c), 1,433,000 flow-through units and 1,320,000 hard dollar units were subscribed for by officers and directors during the period ended October 31, 2018.

***Key management personnel compensation***

Key management includes directors and officers. The remuneration of the key management of the Company during the period ended July 31, 2019 consisted of management and consulting fees of \$207,000 (2018 - \$76,850) and geological consulting fees capitalized to exploration and evaluation assets of \$129,499 (2018 - \$18,251) and share-based payments valued at \$88,695 (2018 - \$198,788).

Unless disclosed elsewhere, related party transactions for the period ended July 31, 2019 and 2018 include:

	2019	2018
Management and consulting fees	\$ 207,000	\$ 76,850
<u>Geological consulting fees capitalized</u>	<u>129,499</u>	<u>18,251</u>
	<u>\$ 218,709</u>	<u>\$ 95,101</u>

See Notes 12 and 13.

**11. INCOME TAXES**

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures in the period permitted.

In June 2018, the Company received \$308,000 and in March 2019 the Company received \$601,332 from the issue of flow-through shares for a total of \$909,332. Through July 31, 2019, the Company expended \$544,015 in eligible exploration expenditures and as a result had not yet met its flow-through obligation. The Company must expend a further \$365,317 in eligible exploration expenditures by December 31, 2020.

**12. PLAN OF ARRANGEMENT**

On April 19, 2018, the Company and Orefinders executed a plan of arrangement agreement related to the spin-out of the Company (the "Arrangement"). The Arrangement was approved by shareholders at a special meeting on May 24, 2018 and received formal approval of the Supreme Court of British Columbia on May 30, 2018. Under the Arrangement: 1) Orefinders transferred its Mann property and MacMurchy property to the Company (a wholly-owned subsidiary of Orefinders) in consideration for the Company issuing 11,000,000 common shares to Orefinders (the "Consideration Shares"); and 2) Pursuant to the Arrangement under the Business Corporations Act (British Columbia) involving Orefinders, its shareholders, and the Company, each existing shareholder of Orefinders exchanged their shares of Orefinders for: (a) one new common share of Orefinders for each one existing share of Orefinders held; and (b) such shareholder's pro rata portion of 5,500,000 of the Consideration Shares (being approximately one common share of the Company for every 17 shares of Orefinders held on the effective date of the Arrangement). Furthermore, the Company began trading on the TSX Venture Exchange on June 5, 2018. As part of the Arrangement, it was agreed with Orefinders that upon the exercise of the Orefinders warrants that were outstanding before the closing of the Arrangement, Orefinders would give the Company 5.5% of the proceeds received upon exercise. The Company would then issue to the warrant holder approximately 0.06 shares of the Company for each warrant of Orefinders exercised.

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**13. COMMITMENTS AND CONTINGENCIES**

(i) As a result of the Company's flow-through financings in June 2018 (Note 9), the Company is committed to incur \$308,000 in qualifying resource expenditures by December 31, 2019. As a result of the Company's flow-through financings in March 2019 (Note 9) the Company is committed to incur \$601,332 in qualifying resource expenditures by December 31, 2020. Through July 31, 2019, the Company has incurred \$544,015 in qualifying resource expenditures. This met the December 31, 2019 commitment and left \$365,317 in qualifying resource expenditures to be incurred by December 31, 2020. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures in the period permitted.

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made and expects to make in the future, expenditures to comply with such laws and regulations.

(ii) The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$10,000 due within one year.

(iii) In February 2019, the Company entered into an agreement for the lease of office space. Minimum rental payments over the term of the agreement are approximately:

2019	\$ 27,000
2020	36,000
2021	37,000
2022	<u>9,000</u>
	<u>\$ 109,000</u>

(iv) The Company is party to commitments with regards to the acquisition of its Opemiska property as detailed in Note 5.