

**TRUE GRIT RESOURCES LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2019**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

## **NOTICE TO READER**

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

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”), consistent with International Financial Reporting Standards (“IFRS”) appropriate in the circumstances.

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

TRUE GRIT RESOURCES LTD.  
Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)  
AS AT

	September 30, 2019	March 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,504	\$ 793
Receivables	15,913	12,436
	<u>\$ 17,417</u>	<u>\$ 13,229</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 244,470	\$ 202,417
Loans payable (Note 7)	455,000	456,779
Interest payable on loans (Note 7)	44,215	36,043
	<u>743,685</u>	<u>695,239</u>
<b>Shareholders' deficiency</b>		
Share capital (Note 9)	5,399,288	5,399,288
Contributed surplus (Note 9)	610,933	610,933
Share-based payments reserve (Note 9)	15,502	15,502
Deficit	<u>(6,751,991)</u>	<u>(6,707,733)</u>
	<u>(726,268)</u>	<u>(682,010)</u>
	<u>\$ 17,417</u>	<u>\$ 13,229</u>

**Nature and continuance of operations (Note 1)**

Approved on behalf of the Board:

"Byron Coulthard"  
Director –

"Nicolas Barr"  
Director –

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**(Expressed in Canadian dollars)**  
**(Unaudited – Prepared by Management)**

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
<b>Expenses</b>				
Accounting and audit <i>(Note 10)</i>	\$ 16,471	\$ 18,621	\$ 26,568	\$ 29,892
Financing expense <i>(Note 7)</i>	4,108	5,366	8,172	7,545
Legal	-	6,609	-	8,048
Management fees <i>(Note 10)</i>	7,500	7,500	15,000	15,000
Office operations	309	879	792	1,805
Regulatory (recovery)	-	2,500	(965)	2,775
Reversal of consulting	(5,142)	-	(5,142)	-
Shareholder communications	-	450	-	450
Transfer agent	1,087	1,044	2,045	2,569
	<b>(24,333)</b>	<b>(42,969)</b>	<b>(46,470)</b>	<b>(68,084)</b>
Foreign exchange gain (loss)	1,255	469	2,212	(249)
<b>Comprehensive loss for the period</b>	<b>\$ (23,078)</b>	<b>\$ (42,500)</b>	<b>\$ (44,258)</b>	<b>\$ (68,333)</b>
<b>Loss per common share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding – basic</b>	<b>33,710,492</b>	<b>29,507,195</b>	<b>33,710,492</b>	<b>29,358,033</b>
<b>Weighted average number of common shares outstanding – diluted</b>	<b>33,710,492</b>	<b>29,507,195</b>	<b>33,710,492</b>	<b>29,358,033</b>

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

	Shares	Amount	Contributed Surplus	Share-based Payments Reserve	Deficit	Total
<b>Balance, March 31, 2018</b>	29,210,492	\$ 5,264,288	\$ 610,933	\$ 15,502	\$ (6,067,357)	\$ (176,634)
Shares issued for exploration and evaluation assets	4,500,000	135,000	-	-	-	135,000
Loss for the period	-	-	-	-	(68,333)	(68,333)
<b>Balance, September 30, 2018</b>	33,710,492	5,399,288	610,933	15,502	(6,135,690)	(109,967)
Loss for the period	-	-	-	-	(572,043)	(572,043)
<b>Balance, March 31, 2019</b>	33,710,492	5,399,288	610,933	15,502	(6,707,733)	(682,010)
Loss for the periodsss	-	-	-	-	(44,258)	(44,258)
<b>Balance, September 30, 2019</b>	33,710,492	\$ 5,399,288	\$ 610,933	\$ 15,502	\$ (6,751,991)	\$ (726,268)

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

	<b>Six months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Loss for the period	\$ (44,258)	\$ (68,333)
Items not affecting cash:		
Financing expense	8,172	7,545
<b>Change in non-cash working capital items:</b>		
Receivables	(3,477)	(1,947)
Accounts payable and accrued liabilities	42,053	45,175
<b>Cash provided by (used in) operating activities</b>	<b>2,490</b>	<b>(17,560)</b>
<b>Investing activities</b>		
Exploration and evaluation expenditures	-	(79,495)
<b>Cash used in investing activities</b>	<b>-</b>	<b>(79,495)</b>
<b>Financing activities</b>		
Loans proceeds	-	135,000
Loan repayments	(1,779)	(20,000)
<b>Cash provided by (used in) financing activities</b>	<b>(1,779)</b>	<b>115,000</b>
Change in cash during the period	711	17,945
Change in cash, beginning of the period	793	3,272
Change in cash, end of the period	\$ 1,504	\$ 21,217
<b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest paid	\$ -	\$ -
Cash paid for taxes paid	\$ -	\$ -

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

**TRUE GRIT RESOURCES LTD**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**For the period ended September 30, 2019**  
**(Expressed in Canadian Dollars)**  
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**1. NATURE AND CONTINUANCE OF OPERATIONS**

True Grit Resources Ltd. (the “Company”) is engaged in the acquisition and exploration of mineral properties in North America. The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is Suite 1710, 1177 West Hastings Street, Vancouver, BC. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol TGI.H.

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

As at September 30, 2019 the Company has a working capital deficit of \$726,268 (March 31, 2019 - \$682,010) and has accumulated losses since inception of \$6,751,991 (March 31, 2019 - \$6,707,733). These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The available funds are insufficient to continue operations for the ensuing year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future.

**2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND CONSOLIDATION**

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting”. The accounting policies set out in Note 3 have been applied consistently to all years presented in these condensed consolidated interim financial statements unless otherwise indicated. These condensed consolidated interim financial statements have been prepared on an accrual basis and presented in Canadian dollars, the Company’s functional currency and were approved by the Board of Directors on November 26, 2019.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, True Grit Lithium Inc., a US company, True Grit Nevada LLC, a US company, LRS Oil and Gas Ltd. (inactive), a US company, and Minera Lorica S.A. de C.V. (inactive), a Mexican company. All intercompany accounts and transactions have been eliminated.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Company's significant accounting policies:

(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments and estimates exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these financial statements include:

Economic recoverability and profitability of future economic benefits of exploration and evaluation assets – Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

Valuation of share-based payments, agent compensation and finders' warrants – The Company uses the Black-Scholes Pricing Model for valuation of share-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Income taxes – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

(b) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rates prevailing at the end of the reporting period date; non-monetary items are translated into the functional currency at the rates on the date of transaction. Expenses are translated at the exchange rate approximating those in effect on the date of the transactions. Exchange gains and losses arising on the translation are included in profit and loss in the period in which they occur.

(c) Cash and cash equivalents

Cash and cash equivalents is comprised of bank deposits and highly-liquid investments, which are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(d) Exploration and evaluation assets (“E&E”)

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result those E&E costs, in excess of estimated recoveries, are written off to profit or loss.

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(e) Provisions for environmental rehabilitation

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

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The Company had no provisions for environmental rehabilitation as at September 30, 2019.

(f) Financial instruments

Financial assets and financial liabilities are recognized on the condensed interim consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of April 1, 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for any assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

- (f) Financial instruments (continued)

*Measurement*

*Financial assets and liabilities at amortized cost*

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

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(f) Financial instruments (continued)

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

<b>Asset or liability</b>	<b>Category</b>	<b>Measurement</b>
Cash	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost
Interest payable on loans	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

(g) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**TRUE GRIT RESOURCES LTD**  
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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(h) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and non-employees. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number at options that vest. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the 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. The offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(i) Share capital

Share capital issued for non-consideration is recorded at the closing price of the Company's shares on the date of issuance.

(j) Income (loss) per share

Income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on income (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted income (loss) per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

(k) Segmented information

The Company has one operating segment, being mineral exploration, and operates in two geographical segments, being Canada and the United States.

(l) New accounting standards not yet adopted

IFRS 16 "Leases": is effective for annual periods beginning on or after January 1, 2019

The Company has initially assessed that there will be no material impact on the statements of financial position or results of operations as a result of adopting the new standards above; however, enhanced disclosure requirements are expected.

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**4. FINANCIAL INSTRUMENTS**

The Company has classified its cash as FVTPL (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) at amortized cost; and accounts payable and accrued liabilities, due to related parties and loans and interest on loans payable at amortized cost.

The carrying values of cash, receivables, accounts payable and accrued liabilities, loans payable and loan interest payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's financial instruments as at September 30, 2019 and 2018 follow:

	<b>September 30, 2019</b>		<b>March 31, 2019</b>	
<b>Financial assets</b>				
Cash	\$	1,504	\$	793
Receivables		15,913		12,436
	<b>\$</b>	<b>17,417</b>	<b>\$</b>	<b>13,229</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$	224,470	\$	202,417
Loans payable		455,000		456,779
Interest payable on loans		44,215		36,043
	<b>\$</b>	<b>743,685</b>	<b>\$</b>	<b>695,239</b>

**5. FINANCIAL RISK MANAGEMENT**

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables, other than Goods and Services Tax ("GST"). The maximum exposure to loss arising from receivables is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk as it relates to its accounts payable and accrued liabilities, and loan payable.

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**5. FINANCIAL RISK MANAGEMENT**

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk as its monetary assets and liabilities are predominantly in Canadian dollars. Any fluctuation would have a negligible impact on profit and loss.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

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**6. EXPLORATION AND EVALUATION ASSETS**

A summary of capitalized acquisition and exploration costs follows:

	<b>Arizona Project</b>	<b>Golden Triangle</b>	<b>Moose Breath</b>	<b>Total</b>
<b>Balance – March 31, 2018</b>	294,698	-	-	294,698
Acquisition costs				
Cash	-	35,000	15,000	50,000
Shares	-	60,000	75,000	135,000
Exploration expenditures				
Geo-consulting (Note 10)	22,235	-	-	22,235
Claim and maintenance payments	3,995	-	-	3,995
Less: write offs	(320,928)	(95,000)	(90,000)	(505,928)
<b>Balance – March 31, 2019 and September 30, 2019</b>	\$ -	\$ -	\$ -	\$ -

**Arizona Property**

During the year ended March 31, 2018, the Company staked a property in Arizona and entered into a definitive mineral agreement whereby the Company has been granted an option to purchase Arizona State Land, mineral exploration permit.

Considerations pursuant to the exercise of the option are as follows:

- (a) Cash Payments
  - (i) US\$40,000 upon execution of the agreement (paid);
  - (ii) US\$75,000 on or before November 25, 2017 (\$22,000 paid);
  - (iii) US\$100,000 on or before November 25, 2018 (amended to March 1, 2019); and
  - (iv) US\$150,000 on or before November 25, 2019.
  
- (b) Share issuances
  - (i) 500,000 shares upon execution of the agreement (issued and valued at \$27,500);
  - (ii) 600,000 shares on or before November 25, 2017 (issued and valued at \$24,000);
  - (iii) 800,000 shares on or before November 25, 2018 (amended to March 1, 2019); and
  - (iv) 1,000,000 shares on or before November 25, 2019.

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**6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**Arizona Project (continued)**

- (c) Exploration expenditures
  - (i) \$200,000 on or before October 3, 2017 (incurred);
  - (ii) an additional \$200,000 on or before October 3, 2018;
  - (iii) an additional \$400,000 on or before October 3, 2019; and
  - (iv) an additional \$400,000 on or before October 3, 2020.

The property is subject to annual pre-production payments of \$200,000 beginning on January 1, 2021, adjusted for the Consumer Price Index as published by the US Department of Labour.

At the commencement of production, the property is subject to a 5% net smelter return royalty.

On October 11, 2018, the Company entered into an earn-in option agreement on a high quality lithium project with Barrel Energy Inc. ("Barrel").

Under the terms of the agreement, Barrel has the option to acquire up to 100% of the Company's option in the Arizona Lithium Project.

- (a) Barrel is required to pay US\$100,000 upon the execution of the agreement.
- (b) For the initial 49% interest on the earn-in agreement, Barrel is required to pay US\$400,000 (including the initial payment) within 30 days of execution of the agreement.
- (c) For an additional 21% interest on the earn-in agreement, Barrel is required to incur US\$1,000,000 of exploration expenditures.
- (d) For the remaining 30% interest on the earn-in agreement, Barrel is required to incur an additional US\$1,000,000 of exploration expenditures.

The Company will be the operator of the exploration project and will hold a 5% royalty on any production from the project.

During the year ended March 31, 2019, the Company decided to discontinue the Arizona Project and wrote-off exploration and evaluations assets of \$320,928 and terminated the option agreement with Barrel.

**Golden Triangle**

On August 15, 2018, the Company entered into a mineral property purchase agreement to acquire 100% interest to the Golden Triangle claims for consideration as follows:

- (a) cash payment of \$35,000 upon execution of the agreement (paid).
- (b) 2,000,000 shares upon execution of the agreement (issued and valued at \$60,000).

During the year ended March 31, 2019, the Company decided to discontinue the Golden Triangle Project and wrote-off exploration and evaluations assets of \$95,000.

**Moose Breath**

On August 7, 2018, the Company entered into a mineral property purchase agreement to acquire 100% interest in the Moose Breath claim for consideration as follows:

- (a) cash payment of \$15,000 upon execution of the agreement (paid).
- (b) 2,500,000 shares upon execution of the agreement (issued and valued at \$75,000).

During the year ended March 31, 2019, the Company decided to discontinue the Moose Breath Project and wrote-off exploration and evaluations assets of \$90,000.

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**6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**7. LOANS PAYABLE**

Details of the Company's loans follow:

- 2014 Notes #2: During July and August, 2014, the Company arranged loans by way of promissory notes for total proceeds of \$100,000. The 2014 Notes #2 mature in one year and bear interest of 10% per annum. In connection with these loans, the Company issued as a bonus to the lenders a total of 400,000 common shares valued at \$20,000, which value was amortized and expensed over the term of the loans. During the year ending March 31, 2017, one lender agreed to write off accrued interest of \$5,655 on principal of \$30,000, and ceased to accrue any further interest. On May 31, 2017, some of the lenders agreed to settle the principal of their individual loans in exchange for common shares, pursuant to which, 900,000 common shares were issued, and principal on loans was reduced by \$45,000 (Note 9). During the year ended March 31, 2018, \$13,119 of repayment was made against the interest on the loans.
- 2015 Notes #1: During March, 2015, the Company arranged for a loan by way of promissory note for total proceeds of \$10,000. The 2015 Notes #1 mature in one year and bear interest of 10% per annum. During the year ending March 31, 2017, the lender agreed to write off accrued interest of \$1,016 and ceased to accrue any further interest.
- 2015 Notes #2: During April, 2015, the Company arranged for loans by way of promissory notes for total proceeds of \$50,000. The 2015 Notes #2 mature in one year and bear interest of 10% per annum. On May 31, 2017, some of the lenders agreed to settle the principal and interest of their individual loans in exchange for common shares and stock purchase warrants, pursuant to which, 960,000 common shares were issued, 120,000 stock purchase warrants were granted, and principal and interest on loans was reduced by \$40,000 and \$8,000, respectively (Note 9).
- 2016 Notes #1: During June, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$20,000. The 2016 Notes #1 mature in one year and are non-interest bearing.
- 2016 Notes #2: During July, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$10,000. The 2016 Notes #2 mature in one year and bear interest of 10% per annum.
- 2016 Notes #3: During July, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$10,000. The 2016 Notes #3 bears interest at 10% per annum and matures in one year. During the year ended March 31, 2017, the lender agreed to write off accrued interest and ceased accruing any further interest.
- 2016 Notes #4: During August, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2016 Notes #4 is non-interest bearing and matures in one year.
- 2016 Notes #5: During October, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$5,000. The 2016 Notes #5 is non-interest bearing and matures in one year.
- 2016 Notes #6: During December, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2016 Notes #6 is non-interest bearing and matures in one year. During the year ended March 31, 2018, the principal on the loan was repaid.
- 2017 Notes #1: During December, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$80,000. The 2017 Notes #1 is non-interest bearing and matures in one year.

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**7. LOANS PAYABLE (CONTINUED)**

- 2017 Notes #3 During February, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$30,000. \$20,000 matures in one year and bears interest of 10% per annum, and \$10,000 is non-interest bearing and matures in one year.
- 2017 Notes #4 During April, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$80,000. The 2017 Notes #4 matures in one year and bear interest of 10% per annum. During the year ended March 31, 2018, repayments of \$20,000 and \$367 were made against the principal and interest on the loans, respectively.
- 2017 Notes #5 During July, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2017 Notes #5 is unsecured, non-interest bearing with no specified term of repayment.
- 2017 Notes #6 During August, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$1,779. The 2017 Notes #6 is unsecured, non-interest bearing with no specified term of repayment.
- 2018 Notes #1 During April, 2018, the Company arranged for loans by way of promissory notes for total proceeds of \$30,000. The 2018 Notes #1 mature in one year, are unsecured, and non-interest bearing.
- 2018 Notes #2 During September, 2018, the Company arranged for loans by way of promissory notes for total proceeds of \$105,000. \$50,000 with no specified term of repayment and bears interest of 8% per annum, \$20,000 matures in one year and bears interest of 8% per annum, and \$35,000 is non-interest bearing with no specified term of repayment.

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**7. LOANS PAYABLE (CONTINUED)**

At September 30, 2019, the Company had the following loans:

	<b>Principal</b>	<b>Value of bonus shares</b>	<b>Amortized values of bonus shares</b>	<b>Principal net of unamortized value of bonus shares</b>	<b>Interest</b>	<b>Total</b>
2014 Notes #2	\$ 55,000 <sup>(1)(3)</sup>	\$ (20,000) <sup>(2)</sup>	\$ 20,000	\$ 55,000	\$ 15,288	\$ 70,288
2015 Notes #1	10,000	-	-	10,000	-	10,000
2015 Notes #2	10,000	-	-	10,000	4,435	14,435
2016 Notes #1	20,000	-	-	20,000	-	20,000
2016 Notes #2	10,000 <sup>(2)</sup>	-	-	10,000	3,192	13,192
2016 Notes #3	10,000	-	-	10,000	-	10,000
2016 Notes #4	15,000	-	-	15,000	-	15,000
2016 Notes #5	5,000	-	-	5,000	-	5,000
2017 Notes #1	80,000	-	-	80,000	-	80,000
2017 Notes #3	30,000	-	-	30,000	5,246	35,246
2017 Notes #4	60,000	-	-	60,000	10,147	70,147
2017 Notes #5	15,000	-	-	15,000	-	15,000
2015 Notes #1	30,000	-	-	30,000	-	30,000
2018 Notes #2	105,000	-	-	105,000	5,907	110,907
	<b>\$ 455,000</b>	<b>\$ (20,000)</b>	<b>\$ 20,000</b>	<b>\$ 455,000</b>	<b>\$ 44,215</b>	<b>\$ 499,215</b>

(1) after taking into account the reduction of \$45,000 on May 31, 2017

(2) includes value of \$5,000 in respect of 100,000 issued to parties related to the Company

(3) The 2014 Notes #2, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

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**7. LOANS PAYABLE (CONTINUED)**

During the period ended September 30, 2019, the Company had the following transactions:

	As of March 31, 2019		Cash received		Interest		Cash Paid		Settlement/ Write off		As of September 30, 2019
2014 Notes #2	\$ 69,034	(1)(2)	-	\$	1,254	\$	-	\$	-	\$	70,288
2015 Notes #1	10,000	(1)	-		-		-		-		10,000
2015 Notes #2	13,934	(1)	-		501		-		-		14,435
2016 Notes #1	20,000		-		-		-		-		20,000
2016 Notes #2	12,690	(3)	-		502		-		-		13,192
2016 Notes #3	10,000		-		-		-		-		10,000
2016 Notes #4	15,000		-		-		-		-		15,000
2016 Notes #5	5,000		-		-		-		-		5,000
2017 Notes #1	80,000		-		-		-		-		80,000
2017 Notes #3	34,244		-		1,002		-		-		35,246
2017 Notes #4	68,041		-		2,106		-		-		70,147
2017 Notes #5	15,000		-		-		-		-		15,000
2017 Notes #6	1,779	(4)	-		-		(1,779)		-		-
2018 Notes #1	30,000		-		-		-		-		30,000
2018 Notes #2	108,100		-		2,807		-		-		110,907
	\$ 492,822		\$ -	\$	8,172	\$	(1,779)	\$	-	\$	499,215

(1) 2014 Notes #2, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

(2) \$25,000 provided by a party related to the Company

(3) \$10,000 provided by a party related to the Company

(4) \$1,779 provided by a party related to the Company that has been repaid on July 29, 2019

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**7. LOANS PAYABLE (CONTINUED)**

At March 31, 2019, the Company had the following loans:

	<b>Principal</b>	<b>Value of bonus shares</b>	<b>Amortized values of bonus shares</b>	<b>Principal net of unamortized value of bonus shares</b>	<b>Interest</b>	<b>Total</b>
2014 Notes #2	\$ 55,000 <sup>(1)(3)</sup>	\$ (20,000) <sup>(2)</sup>	\$ 20,000	\$ 55,000	\$ 14,034	\$ 69,034
2015 Notes #1	10,000	-	-	10,000	-	10,000
2015 Notes #2	10,000	-	-	10,000	3,934	13,934
2016 Notes #1	20,000	-	-	20,000	-	20,000
2016 Notes #2	10,000 <sup>(2)</sup>	-	-	10,000	2,690	12,690
2016 Notes #3	10,000	-	-	10,000	-	10,000
2016 Notes #4	15,000	-	-	15,000	-	15,000
2016 Notes #5	5,000	-	-	5,000	-	5,000
2017 Notes #1	80,000	-	-	80,000	-	80,000
2017 Notes #3	30,000	-	-	30,000	4,244	34,244
2017 Notes #4	60,000	-	-	60,000	8,041	68,041
2017 Notes #5	15,000	-	-	15,000	-	15,000
2017 Notes #6	1,779 <sup>(4)</sup>	-	-	1,779	-	1,779
2015 Notes #1	30,000	-	-	30,000	-	30,000
2018 Notes #2	105,000	-	-	105,000	3,100	108,100
	<b>\$ 456,779</b>	<b>\$ (20,000)</b>	<b>\$ 20,000</b>	<b>\$ 456,779</b>	<b>\$ 36,043</b>	<b>\$ 492,822</b>

(1) after taking into account the reduction of \$45,000 on May 31, 2017

(2) includes value of \$5,000 in respect of 100,000 issued to parties related to the Company

(3) The 2014 Notes #2, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

(4) \$1,779 provided by a party related to the Company

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**7. LOANS PAYABLE (CONTINUED)**

During the year ended March 31, 2019, the Company had the following transactions:

	As of March 31, 2018		Cash received		Interest		Cash Paid		Settlement/ Write off		As of March 31, 2019
2014 Notes #2	\$ 62,963	(1)(2)	-	\$	6,071	\$	-	\$	-	\$	69,034
2015 Notes #1	10,000	(1)	-		-		-		-		10,000
2015 Notes #2	12,934	(1)	-		1,000		-		-		13,934
2016 Notes #1	20,000		-		-		-		-		20,000
2016 Notes #2	11,691	(3)	-		999		-		-		12,690
2016 Notes #3	10,000		-		-		-		-		10,000
2016 Notes #4	15,000		-		-		-		-		15,000
2016 Notes #5	5,000		-		-		-		-		5,000
2017 Notes #1	80,000		-		-		-		-		80,000
2017 Notes #3	32,241		-		2,003		-		-		34,244
2017 Notes #4	65,200		-		2,841		-		-		68,041
2017 Notes #5	15,000		-		-		-		-		15,000
2017 Notes #6	1,779	(4)	-		-		-		-		1,779
2018 Notes #1	-		30,000		-		-		-		30,000
2018 Notes #2	-		105,000		3,100		-		-		108,100
	\$ 341,808		\$ 135,000	\$	16,014	\$	-	\$	-	\$	492,822

(1) 2014 Notes #2, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

(2) \$25,000 provided by a party related to the Company

(3) \$10,000 provided by a party related to the Company

(4) \$1,779 provided by a party related to the Company

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**8. CAPITAL MANAGEMENT**

The Company defines capital as all components of shareholders' deficiency. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the issuance of its share capital and loans payable to fund operations. Although the Company has been successful at raising funds in the past through issuance of common shares and loans payable, there can be no assurance that it will continue to be able to do so in the future.

There were no changes to the Company's approach to capital management during the period ended September 30, 2019.

**9. SHARE CAPITAL**

(a) Authorized

Unlimited common shares without par value.

(b) Issued

Year ended March 31, 2019:

- the Company issued 2,000,000 shares (valued at \$60,000) pursuant to the acquisition of the Golden Triangle claim (Note 6).
- the Company issued 2,500,000 shares (valued at \$75,000) pursuant to the acquisition of the Moose Breath claims (Note 6).

(c) Stock Options

On September 30, 2005, the Company adopted a "rolling" stock option plan for its employees, directors, officers and self-employed consultants. The terms of the plan provide for options to be granted to the extent of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the Exchange. The options may be granted for a maximum term of ten years from the date of grant and vest at the discretion of the board. In 2006, the Company received regulatory approval for the plan. The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grants.

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**9. SHARE CAPITAL (CONTINUED)**

A summary of the Company's stock option activity is as follows:

	September 30, 2019		March 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	200,000	\$ 0.05	200,000	\$ 0.05
Cancelled	-	-	-	-
Outstanding, end of period	200,000	0.05	200,000	0.05
Exercisable, end of period	200,000	\$ 0.05	200,000	\$ 0.05

September 30, 2019			
Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life
February 18, 2020	200,000	\$0.05	0.39 years

(c) Warrants

A summary of the Company's warrant activity is as follows:

	September 30, 2019		March 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of the period	-	\$ -	16,138,080	\$ 0.10
Granted	-	-	-	-
Expired	-	-	(16,138,080)	0.10
Outstanding, end of period	-	-	-	-
Exercisable, end of period	-	\$ -	-	\$ -

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**10. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company's key management personnel consist of directors, executive officers, and companies controlled or influenced by them. The Company incurred certain fees and expenses in the normal course of operations in connection with companies owned by such parties for the period ended September 30, 2019 and 2018.

The Company conducts certain of its administration and exploration activities through an arrangement with an administration and exploration services contractor ("AESC") in which a director is a shareholder. For the period ended September 30, 2019 and 2018, the Company was charged for exploration costs and to reimburse office and administrative costs as follows:

	<b>September 30, 2019</b>		<b>September 30, 2018</b>	
Management fees	\$	15,000	\$	15,000
Accounting and audit		18,900		12,000
	\$	33,900	\$	27,000

During the period ended September 30, 2019, the Company incurred or paid \$15,000 (2018 - \$15,000) in respect of the services of the CEO.

During the period ended September 30, 2019, the Company incurred or paid \$18,900 (2018 - \$12,000) in respect of the accounting services from a director of the Company.

Amounts due to related parties in accounts payable and accrued liabilities as at September 30, 2019 totaled \$44,785 (March 31, 2019 - \$85,538).

In April, 2018, the Company completed an additional loan for gross proceeds of \$30,000, which was provided by an officer of the Company. During the period ended March 31, 2019, the loan was paid in full.

In September, 2018, the Company completed an additional loan for gross proceeds of \$105,000, of which \$20,000 was provided by an officer of the Company.