



Transition Metals

Transition Metals Corp.

Consolidated financial statements for the years ended August 31, 2018 and 2017
(expressed in Canadian dollars)

Table of Contents

Independent auditor's report	3
Consolidated statements of financial position	4
Consolidated statements of income (loss) and comprehensive income (loss)	5
Consolidated statements of changes in equity.....	6
Consolidated statements of cash flows.....	7
Notes to the consolidated financial statements.....	8-37

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Transition Metals Corp.

We have audited the accompanying consolidated financial statements of Transition Metals Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Transition Metals Corp. and its subsidiaries as at August 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 20, 2018

Transition Metals Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	August 31, 2018	August 31, 2017
		\$	\$
Assets			
Current assets			
Cash		1,155,873	975,429
Restricted cash equivalents	4	49,219	54,096
Amounts receivable	6,10	334,897	182,981
Investment in marketable securities	5	587,500	52,500
Prepaid expenses		18,734	15,457
Total current assets		2,146,223	1,280,463
Non-current assets			
Investment in SPC	6	2,161,862	3,249,990
Investment in CGM	7	2,370,517	-
Mineral exploration property acquisition costs	11	238,005	515,005
Equipment	8	18,973	25,577
Total assets		6,935,580	5,071,035
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	275,169	296,366
Total liabilities		275,169	296,366
Equity			
Share capital	9(a,b)	9,706,852	8,871,858
Warrants	9(d)	304,521	3,000
Share-based payment reserve	9(c)	906,760	1,395,314
Deficit		(4,257,722)	(6,180,995)
Equity attributable to shareholders		6,660,411	4,089,177
Net assets attributed to non-controlling interest	7	-	155,892
Options and warrants of subsidiary	7	-	529,600
Equity attributable to non-controlling interest		-	685,492
Total equity		6,660,411	4,774,669
Total liabilities and equity		6,935,580	5,071,035

Going concern (Note 2)

Commitments and contingencies (Notes 11 and 15)

Subsequent events (Note 17)

Please see accompanying notes to the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on December 20, 2018 and signed on its behalf by:

“Scott McLean”, Director

“Jason Marks”, Director

Transition Metals Corp.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

For The Years Ended August 31,	Notes	2018 \$	2017 \$
Revenues			
Revenues from strategic alliances	11	31,641	(Note 7) 107,425
Management fees	6	79,377	117,270
Total revenues		<u>111,018</u>	<u>224,695</u>
Expenses			
Exploration and evaluation expenditures	10,11	297,654	780,970
Consultant fees	10	189,281	151,779
Depreciation	8	6,604	9,053
Investor relations		180,811	91,025
Professional fees		141,848	97,042
Office and general		281,829	243,692
Share based compensation	9,10	-	104,800
Rent		52,622	53,521
Total expenses		<u>1,150,649</u>	<u>1,531,882</u>
Other Items			
Share of loss of investment accounted for using the equity method	6,7	(526,361)	(771,360)
Interest income		3,992	4,274
Other income		15,737	47,809
Gain on sale of marketable securities	5	406,442	-
Unrealized gain (loss) on marketable securities		367,500	(12,500)
Loss on dilution in SPC	6	(124,965)	-
Write down of investment in SPC	6	(766,285)	-
Foreign exchange gain (loss)		295	(1,900)
Total other items		<u>(623,645)</u>	<u>(733,677)</u>
Net (loss) from continuing operations		(1,663,276)	(2,040,864)
Loss from CGM operations to the date of loss of control net of tax effect of \$nil	7	(603,024)	(1,037,703)
Gain on deconsolidation of CGM	7	3,701,019	-
Net income (loss) and comprehensive income (loss) for the year		<u>1,434,719</u>	<u>(3,078,567)</u>
Net (loss) income and comprehensive (loss) income for the year attributable to:			
Non-controlling interest		-	(502,438)
Common shareholders		1,434,719	(2,576,129)
Net income (loss) and comprehensive income (loss) for the year		<u>1,434,719</u>	<u>(3,078,567)</u>
Basic and diluted net (loss) income per share			
Income (loss) per share from continuing operations		(0.04)	(0.06)
Income (loss) per share from discontinued operations		0.08	(0.03)
Net income (loss) per share		<u>0.04</u>	<u>(0.09)</u>
Weighted average number of common shares outstanding:			
Basic	9(e)	<u>38,656,040</u>	<u>33,752,766</u>
Diluted	9(e)	<u>38,656,040</u>	<u>33,752,766</u>

Please see accompanying notes to the consolidated financial statements

Transition Metals Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Note	Common shares #	Share capital \$	Share-based payment reserve \$	Warrants \$	Deficit \$	Total \$	Options and warrants of subsidiary \$	Net assets attributed to Non- controlling interest \$	Total \$
Balance, August 31, 2016		33,719,433	8,864,858	1,355,699	-	(3,783,474)	6,437,083	-	45,484	6,482,567
Shares and warrants issued for property acquisitions	9(b)	50,000	7,000	-	3,000	-	10,000	-	-	10,000
Stock options	9(c)	-	-	104,800	-	-	104,800	-	-	104,800
Stock options expired	9(c)	-	-	(65,185)	-	65,185	-	-	-	-
Issuance of share based payments by subsidiary	7	-	-	-	-	-	-	529,600	-	529,600
Issuance of shares by subsidiary, net of costs	7	-	-	-	-	113,423	113,423	-	612,846	726,269
Net (loss) for the year		-	-	-	-	(2,576,129)	(2,576,129)	-	(502,438)	(3,078,567)
Balance, August 31, 2017		33,769,433	8,871,858	1,395,314	3,000	(6,180,995)	4,089,177	529,600	155,892	4,774,669
Balance, August 31, 2017		33,769,433	8,871,858	1,395,314	3,000	(6,180,995)	4,089,177	529,600	155,892	4,774,669
Options expired	9(c)	-	-	(488,554)	-	488,554	-	-	-	-
Deconsolidation of CGM	7	-	-	-	-	-	-	(529,600)	(155,892)	(685,492)
Issuance of shares net of costs	9(b)	7,737,698	1,136,515	-	-	-	1,136,515	-	-	1,136,515
Issuance of warrants	9(b),(d)	-	(301,521)	-	301,521	-	-	-	-	-
Net income for the year		-	-	-	-	1,434,719	1,434,719	-	-	1,434,719
Balance, August 31, 2018		41,507,131	9,706,852	906,760	304,521	(4,257,722)	6,660,411	-	-	6,660,411

Please see accompanying notes to the consolidated financial statements

Transition Metals Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For The Years Ended August 31,

	Notes	2018 \$	2017 \$
Operating Activities			
Net income (loss) for the year		1,434,719	(3,078,567)
Add items not affecting cash			
Shares and warrants issued for property acquisitions		-	10,000
Depreciation		6,604	9,053
Property option payments received in shares		(280,000)	-
Gain on sale of marketable securities		(406,442)	-
Unrealized (gain) loss on marketable securities		(367,500)	12,500
Foreign exchange (gain) loss		(295)	1,900
Share based compensation		-	309,700
Subsidiary shares issued for property acquisitions		-	255,000
Gain on deconsolidation of CGM		(3,701,019)	-
Loss on dilution in SPC		124,965	-
Write down of investment in SPC		766,285	-
Share of loss of investment accounted for using the equity method		526,361	771,360
Loss from discontinued CGM operations		603,024	-
Write down of mineral exploration property acquisition costs		277,000	343,000
Net change in non-cash working capital		590,381	(64,112)
Cash flows from operating activities		<u>(425,917)</u>	<u>(1,430,166)</u>
Investing Activities			
Proceeds on sale of marketable securities	5	518,942	-
Cash in CGM on deconsolidation		(1,053,973)	-
Restricted cash equivalents		4,877	(5,257)
Cash flows from investing activities		<u>(530,154)</u>	<u>(5,257)</u>
Financing Activities			
Issuance of common shares	9(b)	1,160,655	817,250
Cost of issuances		(24,140)	(22,530)
Cash flows from financing activities		<u>1,136,515</u>	<u>794,720</u>
Increase (decrease) in cash		180,444	(640,703)
Cash, beginning of year		<u>975,429</u>	<u>1,616,132</u>
Cash, end of year		<u><u>1,155,873</u></u>	<u><u>975,429</u></u>

Supplemental information (Note 16)

Please see accompanying notes to the consolidated financial statements

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

1. Nature of Operations

Transition Metals Corp. (“TMC” or the “Company”) and its Canadian subsidiaries, HTX Minerals Corp. (“HTX”), Sudbury Platinum Corp. (“SPC”) to the date of loss of control, and Canadian Gold Miner Corp. (“CGM”) to the date of loss of control (collectively referred to as the “Company”) are engaged in the acquisition and exploration of mineral exploration properties in Canada and the United States. The Company’s registered office is 100 King Street West, 1 First Canadian Place, Suite 6200, Toronto, Ontario, M5X 1B8.

On August 14, 2013, TMC completed a plan of arrangement with HTX pursuant to which TMC acquired all of the issued and outstanding shares of HTX in exchange for 15,391,200 common shares of TMC. As a result of the transaction, the former shareholders of HTX became the majority shareholders of TMC and the transaction was accounted for as a reverse acquisition with HTX identified as the accounting acquirer. The consolidated entity continued under the name of Transition Metals Corp.

On September 9, 2013, the Company incorporated a private company, SPC and transferred to it two properties being Aer Kidd and Owen Nickel in exchange for 15,000,000 common shares in SPC, representing 100% of the common stock of SPC. SPC issued a further 24,653,331 common shares to outside parties since incorporation resulting in the Company owning 30% of SPC at August 31, 2018 (2017 - 36%). SPC was included in the consolidated financial statement until March 23, 2016 at which time it was deconsolidated and became an associate.

On October 27, 2015, the Company incorporated a wholly owned subsidiary CGM and on February 15, 2016, transferred five property groupings that are part of the Abitibi Greenstone Belt Gold portfolio including; West Matachewan, Jumping Moose, Elephant Head, Golden Elk and New Kirkland to CGM in consideration of 15,000,100 common shares of CGM. CGM issued a further 24,573,100 common shares to outside parties since incorporation resulting in the Company owning 38% of CGM at August 31, 2018 (August 31, 2017-50%). CGM was included in the consolidated financial statements until November 22, 2017 at which time it was deconsolidated and became an associate.

2. Going Concern

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they become due. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programmes will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company’s ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory 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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

2. Going Concern - Continued

The Company raises capital and equity for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Management believes that it has sufficient working capital to support operations for the next 12 months. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

3. Summary of Significant Accounting Policies

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies are based on the IFRS standards and International Reporting Interpretations Committee ("IFRIC") interpretations that are effective for each reporting period presented.

Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These consolidated financial statements reflect the following accounting policies which have been applied consistently to all periods presented, except where disclosed.

Principles of Consolidation

These consolidated financial statements include the accounts of HTX and CGM until November 22, 2017 (the date of loss of control). All intercompany transactions and resulting balances have been eliminated on consolidation. As at August 31, 2018, the Company held a 100% interest in HTX (2017 – 100%) and a 38% interest in CGM (2017 – 50%).

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. Summary of Significant Accounting Policies - Continued

Principles of Consolidation (Continued)

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated statement of financial position. Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. Warrants and stock options issued by subsidiaries, exercisable into subsidiary shares, are presented as a component of non-controlling interest in the consolidated statement of financial position.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The partial disposal of an interest resulting in loss of control meets the definition of a disposal group. A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income or loss. Additional disclosures are provided in Notes 7 and 16. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Financial Instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss. Financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

A financial asset is classified at fair value through profit or loss (“FVTPL”) if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Realized and unrealized gains and losses are reflected in the statement of comprehensive loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has designated its restricted cash equivalents and its investments in marketable securities as FVTPL.

3. Summary of Significant Accounting Policies - Continued

Financial Instruments (Continued)

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are de-recognized or impaired, as well as through the amortization process. The Company has designated its cash and amounts receivable as loans and receivables.

Available-for-sale instruments are non-derivative financial assets that do not meet the definition of loans and receivables, are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss. The Company did not have any available-for-sale instruments during the years ended August 31, 2018 and 2017.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transactions costs associated with all other financial assets are included in the initial carrying amount of the asset.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the statement of income (loss) and comprehensive income (loss).

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been, had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss).

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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). During the years ended August 31, 2018 and 2017, the restricted cash equivalents have been classified as Level 2 of the fair value hierarchy, and investments in marketable securities have been classified as Level 1 for publicly traded securities.

3. Summary of Significant Accounting Policies - Continued

Financial Instruments (Continued)

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as other financial liabilities. Accounts payable and accrued liabilities, and lease payable are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Accounts payable and accrued liabilities and lease payable are classified as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Cash and Cash Equivalents

Cash and cash equivalents include cash-on-hand and balances with banks and short-term investments with original maturities of three months or less.

Revenue Recognition

Revenues received from strategic alliances are recognized in the period in which they are earned and collectability is reasonably assured. The strategic alliance agreements allow for either the Company or the strategic partner to terminate the agreement at any time.

Management fee revenue is recognized when the services are rendered and collectability is reasonably assured.

Interest income and other income are recorded on an accrual basis.

Investments in Associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments over which the Company has the ability to significantly influence are initially recorded at cost. When the initial recognition of the investment in the associate occurs as a result of a loss of control of a former subsidiary, the fair value of the retained interest in the former subsidiary on the date of the loss of control is deemed to be the cost on initial recognition. Investment income (loss) is calculated using the equity method.

The Company's share of the associate's profit or loss is recognised in the statement of income (loss) and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of income (loss).

3. Summary of Significant Accounting Policies – Continued

Investments in Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investors' interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in the statement of income (loss).

The investment account of the investor reflects:

- i) the cost of the investment in the investee;
- ii) the investment income or loss (including the investor's proportionate share of discontinued operations and extraordinary items) relating to the investee subsequent to the date when the use of the equity method first became appropriate; and
- iii) the investor's proportion of dividends paid by the investee subsequent to the date when the use of the equity method first became appropriate.

During the year ended August 31, 2016, the Company deconsolidated its former subsidiary SPC, and classified SPC as an Investment in Associate. As at August 31, 2018, the Company's direct ownership has been diluted to 30% (August 31, 2017 – 36%) and the Company no longer has control over SPC.

During the year ended August 31, 2018, the Company deconsolidated its former subsidiary CGM, and classified CGM as an Investment in Associate. As at August 31, 2018, the Company's direct ownership has been diluted to 38% and the Company no longer has control over CGM.

Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred other than property interests acquired in a business combination, which are capitalized. Exploration and evaluation expenditures include acquisition costs of mineral exploration properties, property option payments and exploration and evaluation activity. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Joint Ventures

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV"). A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Interest in JV are accounted for using the equity method.

3. Summary of Significant Accounting Policies – Continued

Joint Ventures (Continued)

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of JO and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

As at August 31, 2018 and 2017, the Company did not have any JV's or JO's.

Equipment

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss. Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives as follows:

Computer equipment and software	- 2 year straight line
Exploration equipment	- 30% diminishing balance
Furniture	- 20% diminishing balance
Vehicles	- 30% diminishing balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including equipment and mineral exploration property acquisition costs are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of individual assets, the impairment test is carried out on the asset's cash-generation unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely dependent of the cash inflows from other assets. An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income/loss.

3. Summary of Significant Accounting Policies - Continued

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Share-Based Payments and Warrants

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period. When stock options and warrants are granted by TMC the corresponding increase is recorded to share based payment reserve and when granted by a subsidiary the corresponding increase is recorded to non-controlling interest and classified as stock options and warrants.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on the grant date.

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. Summary of Significant Accounting Policies - Continued

Share-Based Payments and Warrants - Continued

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital for any consideration paid.

Where cash-settled share-based payments are granted, the goods or services acquired and the liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value is re-measured at the end of each reporting period and at the date of settlement, by applying an option pricing model, with any changes in fair value recognized in profit or loss for the period. The measurement of the liability takes into account, the terms and conditions on which the share appreciation rights were granted and to the extent to which the employees or consultants have rendered service to the date of measurement.

Foreign Currency Transactions and Translation

The functional currency and reporting currency is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on translation are included in income/loss.

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under contract. At each statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. The Company had no material provisions as at August 31, 2018 and 2017.

3. Summary of Significant Accounting Policies - Continued

Decommissioning Liabilities

A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or mining of a mineral property interest. Such costs arising from the decommissioning of plant and other site work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company had no material decommissioning liabilities as at August 31, 2018 and 2017.

Income (Loss) per Share

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share is calculated by assuming 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 income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease income (loss) per share or increase income per share. Options and warrants have a dilutive effect only when the average market price of the shares exceeds the exercise price of the options or warrants. The diluted income per share is the same as basic loss per share for the years ended August 31, 2018 and 2017 as the effects of including all outstanding options and warrants would be anti-dilutive.

Flow-through Shares

The Company may, from time to time, issue flow through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource properties to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to premium on flow-through shares liability. If renouncement is retrospective, the Company derecognizes the premium liability when the paperwork to renounce is filed. If the renouncement is prospective, the Company derecognizes the premium liability as qualifying flow-through expenditures are incurred. The reduction to the premium liability in the period of renunciation is recognized through operations.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is reflected as a financial expense.

3. Summary of Significant Accounting Policies - Continued

Company as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals are recognized as expenses in the periods in which they are incurred.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Impairment of Mineral Exploration Property Acquisition Costs

While assessing whether any indications of impairment exist for mineral exploration property acquisition costs, 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 include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral exploration property acquisition costs.

3. Summary of Significant Accounting Policies - Continued

Critical Accounting Estimates and Judgments - Continued

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 is also subject to tax regulations as they relate to flow-through financing arrangements. 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.

Determination of Significant Influence and Impairment of Investment in Associate

Effective March 23, 2016, the Company has classified SPC as an associate based on management's judgment that the Company has significant influence through board representation and 30% of the voting rights as of August 31, 2018 (2017 - 36%).

Effective November 22, 2017, the Company has classified CGM as an associate based on management's judgment that the Company has significant influence through board representation and 3% of the voting rights.

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of impairment requires significant judgement and can be triggered by significant adverse changes in the market, economic or legal environment in which the associate operates.

Determination of Control

The Company has classified CGM as a subsidiary to November 22, 2017, based on management's judgement that the Company has control through majority board representation and 50% of the voting rights.

Share-Based Payments

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 determined 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. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions is disclosed in Note 9. The expected volatility assumptions for TMC option and warrant grants was based on the historical volatility of TMC shares.

Contingencies

Refer to Note 15.

3. Summary of Significant Accounting Policies - Continued

Critical Accounting Estimates and Judgments (Continued)

Existence of Decommissioning and Restoration Costs and the 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 with regulatory authorities.

New standards adopted and interpretations issued

- i. IFRS 10 – *Consolidated Financial Statements* (“IFRS 10”) and IAS 28 – *Investments in Associates and Joint Ventures* (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of this standard had no material impact on the Company.
- ii. IAS 1 – *Presentation of Financial Statements* (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of this standard had no material impact on the Company.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after September 1, 2018. 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. IFRS 9 - *Financial Instruments* (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- ii. IFRS 10 – *Consolidated Financial Statements* (“IFRS 10”) and IAS 28 – *Investments in Associates and Joint Ventures* (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

3. Summary of Significant Accounting Policies - Continued

Critical Accounting Estimates and Judgments (Continued)

New standards not yet adopted and interpretations issued but not yet effective (Continued)

- iii. IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- iv. 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 recognises 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 recognise 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.
- vi. IFRS 2 – *Share-based Payment* ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.
- vii. IFRIC 23 – *Uncertainty Over Income Tax Treatments* ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

4. Restricted Cash Equivalents

As at August 31, 2018, the Company held GICs in the aggregate amount of \$49,219 (August 31, 2017 - \$54,096) as security for its corporate credit cards.

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

5. Investment in Marketable Securities

The Company holds 2,500,000 common shares (August 31, 2017: 1,500,000) of Aldershot Resources Ltd. ("Aldershot") pursuant to an option agreement (Note 11(a)). During the year ending August 31, 2018, 3,000,000 Aldershot shares were sold for proceeds of \$518,942. The Aldershot shares have been valued at \$0.195 per share as at August 31, 2018 (August 31, 2017 - \$0.035) based on their quoted market price. The Company holds 2,000,000 common shares (August 31, 2017: Nil) of Forum Energy Metals Corp. ("Forum") pursuant to an option agreement (Note 11(d)). The Forum shares have been valued at \$0.05 per share as at August 31, 2018 (August 31, 2017 - N/A) based on their quoted market price.

6. Investment in Sudbury Platinum Corp. ("SPC")

TMC has entered into a multi-year operating agreement with SPC to provide exploration services related to the Aer Kidd property, the terms of the agreement allow for the Company to earn a 10% management fee on all exploration costs incurred by SPC. Included in management fees is \$29,368 (2017 - \$83,800) charged to SPC during the year ended August 31, 2018. Included in accounts receivable as at August 31, 2018, is \$33,270 (2017 - \$12,832) due from SPC.

The Company deconsolidated SPC on March 23, 2016, the date at which TMC's shareholdings were diluted to 36%. As at August 31, 2018, the Company's ownership has diluted to 30%.

A continuity of the investment in SPC as an associate is as follows:

Balance, August 31, 2016	\$ 4,021,350
Share of the loss for the year	<u>(771,360)</u>
Balance, August 31, 2017	<u>\$3,249,990</u>
Loss on dilution	(124,965)
Write down	(766,285)
Share of the loss for the year	<u>(196,878)</u>
Balance, August 31, 2018	<u>\$2,161,862</u>

	<u>2018</u>	<u>2017</u>
	\$	\$
Current and total assets	1,664,112	519,766
Current and total liabilities	557,685	314,646
Total equity	1,106,427	205,120
Net loss and comprehensive loss	(598,409)	(2,129,065)
Cash flows from operating activities	(237,799)	(1,486,092)
Cash flows from investing activities	(51)	76
Cash flows from financing activities	1,890,217	-

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

7. Investment in Canadian Gold Miner Corp.

On October 27, 2015, the Company incorporated a subsidiary, CGM. On February 15, 2016, the Company assigned five property groupings that are part of its Abitibi Gold portfolio including West Matachewan, Jumping Moose, Elephant Head, Golden Elk and New Kirkland to CGM in consideration of 15 million common shares of CGM. A further 1,000,000 shares of CGM were issued to a third party for the acquisition of the Midlothian property.

In addition, TMC entered into a multi-year operating agreement with CGM to provide exploration services, the terms of which allow for the Company to earn a 10% management fee on all exploration costs incurred by CGM and administered through the operating agreement with the Company.

On February 28, 2017, CGM completed a private placement for gross proceeds of \$460,250. CGM issued 2,914,998 units at \$0.15 and 115,000 at \$0.20 per common flow through share. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.25 on or before February 28, 2020. Concurrently CGM issued 1,333,333 common shares at a deemed price of \$0.15 in accordance with a mineral property option agreement. After giving effect to the issuances, TMC held approximately 54% of the common shares of CGM. Total share subscriptions by directors and key management personnel of TMC were 226,000 common shares for proceeds of \$34,000.

In April 2017, CGM completed private placements for gross proceeds of \$357,000. CGM issued 2,380,000 units at \$0.15. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.25 on or before the third anniversary of issuance. Concurrently, CGM issued 50,000 common shares at a deemed price of \$0.15 in accordance with a mineral property option agreement. After giving effect to the issuances, TMC held approximately 50% of the common shares of CGM. Total share subscriptions by directors and key management personnel of TMC were 20,000 common shares for proceeds of \$3,000.

On August 31, 2017, CGM issued 150,000 common shares at a deemed price of \$0.15 in accordance with a mineral property option agreement. TMC held approximately 50% of the common shares of CGM.

On November 22, 2017, CGM concluded a transaction with Osisko Mining Corporation ("Osisko") to acquire the DeSantis property, located in the Timmins Gold Camp, and an option on the Catharine Property, a large exploration land package near CGM's focus area south of Kirkland Lake, Ontario in exchange for 2,500,000 common shares of CGM valued at \$0.18 per share as per the agreement. Concurrent with the transaction, Osisko completed a \$1,000,000 private placement in CGM consisting of 5,000,000 units at \$0.20 per unit with each unit consisting of one common share and a one half of a common share purchase warrant exercisable at \$0.35 for a period of two years from the date of the agreement.

The Company consolidated CGM for the period from incorporation to November 22, 2017, the date at which TMC's shareholdings were diluted to 40%. The loss of control resulted in a gain on deconsolidation of \$3,701,019 during the period ended May 31, 2017, based on the price of CGM shares issued in a concurrent financing. As the loss of control of CGM met the definition of a disposal group under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating activities of CGM have been characterized as discontinued operations in the consolidated statement of income (loss) and comprehensive income (loss). The comparative statement of income (loss) and comprehensive income (loss) for the year ended August 31, 2017 has been reclassified to reflect the discontinued operations presentation adopted for the year ended August 31, 2018.

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

7. Investment in Canadian Gold Miner Corp. - Continued

On December 29, 2017, CGM completed a private placement for gross proceeds of \$445,000. CGM issued 1,780,000 flow through common shares at \$0.25 per flow through common share. Additionally 124,600 finders' warrants were issued. Each warrant is exercisable at \$0.25 on or before the first anniversary of issuance. After giving effect to the issuance, TMC held approximately 38% of the common shares of CGM.

Summarized financial information for CGM as at August 31, 2018 and 2017 and for the years then ended is as follows:

	2018	2017
	\$	\$
Current and total assets	766,359	503,940
Current and total liabilities	225,699	199,455
Total equity	541,259	304,485
Net loss and comprehensive loss	(1,487,075)	(1,087,425)
Cash flows from operating activities	(1,181,413)	(840,179)
Cash flows from investing activities	-	(5,000)
Cash flows from financing activities	1,416,250	794,720

A continuity of the investment in CGM as an associate is as follows:

Balance, November 22, 2017	\$2,700,000
Share of the loss for the year	<u>(329,483)</u>
Balance, August 31, 2018	<u>\$2,370,517</u>

At August 31, 2018, the following CGM options to purchase common shares were outstanding and available to be exercised:

Grant Date	Number	Exercise	
		Price	Expiration
September 20, 2016	950,000	\$0.10	September 20, 2021
June 6, 2016	50,000	\$0.30	June 6, 2021
March 2, 2017	125,000	\$0.10	March 2, 2022
April 26, 2017	1,335,000	\$0.15	April 26, 2022
April 26, 2017	50,000	\$0.30	April 26, 2020
	<u>2,510,000</u>		

At August 31, 2017, the following CGM options to purchase common shares were outstanding and available to be exercised:

Grant Date	Number	Exercise	
		Price	Expiration
September 20, 2016	1,000,000	\$0.10	September 20, 2021
June 6, 2016	50,000	\$0.30	June 6, 2021
March 2, 2017	125,000	\$0.10	March 2, 2022
April 26, 2017	1,335,000	\$0.15	April 26, 2022
April 26, 2017	50,000	\$0.30	April 26, 2020
	<u>2,560,000</u>		

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

7. Investment in Canadian Gold Miner Corp. – Continued

At August 31, 2018, the following CGM warrants to purchase common shares were outstanding and available to be exercised:

Issue Date	Number	Exercise	
		Price	Expiration
February 28, 2017	2,914,998	\$0.25	February 28, 2020
April 7, 2017	1,000,000	\$0.25	April 7, 2020
April 21, 2017	1,380,000	\$0.25	April 21, 2020
November 22, 2017	2,500,000	\$0.35	November 22, 2019
December 29, 2017	124,600	\$0.25	December 29, 2018
	7,919,598		

At August 31, 2017, the following CGM warrants to purchase common shares were outstanding and available to be exercised:

Issue Date	Number	Exercise	
		Price	Expiration
February 28, 2017	2,914,998	\$0.25	February 28, 2020
April 7, 2017	1,000,000	\$0.25	April 7, 2020
April 21, 2017	1,380,000	\$0.25	April 21, 2020
	5,294,998		

8. Equipment

	Computer				Total
	Furniture	Vehicles	Equipment and Software	Exploration Equipment	
<i>Cost</i>	\$	\$	\$	\$	\$
Balance August 31, 2016	32,906	107,514	269,453	53,270	463,143
Additions (disposals) net	-	-	-	-	-
Balance August 31, 2017	32,906	107,514	269,453	53,270	463,143
Additions (disposals)	-	-	-	-	-
Cost at August 31, 2018	32,906	107,514	269,453	53,270	463,143
<i>Accumulated depreciation and impairment</i>					
Balance at August 31, 2016	24,369	90,164	269,453	44,527	428,513
Additions (disposals)	1,708	5,205	-	2,140	9,053
Balance at August 31, 2017	26,077	95,369	269,453	46,667	437,566
Additions (disposals)	1,366	3,643	-	1,595	6,604
Balance at August 31, 2018	27,443	99,012	269,453	48,262	444,170
Net book value August 31, 2017	6,829	12,145	-	6,603	25,577
Net book value August 31, 2018	5,463	8,502	-	5,008	18,973

9. Share Capital

a) Authorized

An unlimited number of common shares with no par value

An unlimited number of preferred shares, non-voting, non-participating, retractable, redeemable

b) Transactions

Year ended August 31, 2017

On January 9, 2017, the Company issued 50,000 common shares valued at \$7,000, pursuant to a First Nations memorandum of understanding agreement.

Year ended August 31, 2018.

On December 7, 2017, the Company completed a private placement for gross proceeds of \$610,655, and share issue costs of \$24,140. The Company issued 4,071,031 units at \$0.15 per unit. Each unit consisted of one common share and one common share purchase warrant and is exercisable at \$0.20 on or before December 7, 2019. The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with \$155,000 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following assumptions: expected dividend yield – nil; expected volatility 91%; risk free interest rate 1.5%; and an expected life of 2 years. Total share subscriptions by directors and key management personnel were 186,333 units for proceeds of \$27,950.

If after four months from the closing date the closing price of the common shares on the TSX Venture Exchange (the "Exchange") is higher than \$0.30 for 20 consecutive trading days, based on the volume weighted average price on daily closing, then on the date that is the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the warrants will be accelerated to the date that is 20 business days after the Acceleration Trigger Date.

On December 14, 2017, the Company completed a private placement for gross proceeds of \$550,000. The Company issued 3,666,667 units at \$0.15 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.20 on or before December 14, 2019. The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with \$137,000 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following assumptions: expected dividend yield – nil; expected volatility –89%; risk free interest rate – 1.6%; and an expected life of 2 years.

In connection with the December 2017 private placements, 158,690 finders warrants valued at \$9,521 were issued. Each finders warrant is exercisable at \$0.15 on or before December 7, 2019. The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following assumptions: expected dividend yield – nil; expected volatility 89%; risk free interest rate 1.5%; and an expected life of 2 years.

If after four months from the closing date the closing price of the common shares on the TSX Venture Exchange (the "Exchange") is higher than \$0.30 for 20 consecutive trading days, based on the volume weighted average price on daily closing, then on the date that is the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the warrants will be accelerated to the date that is 20 business days after the Acceleration Trigger Date.

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

9. Share Capital - Continued

c) Stock Options

The Company has a stock option plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 10% of the total issued and outstanding common shares of the Company. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at a minimum of the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

On May 3, 2017, the Company granted 655,000 incentive stock options to directors, management and employees of the Company, exercisable at \$0.20 per share for a period of 5 years. The grant date fair value of \$0.16 per option was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 5 years, expected volatility of 143%, expected dividend yield of 0%, and a risk free interest rate of 1.50%. The options vested immediately.

At August 31, 2018, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
December 5, 2013	100,000	\$0.20	December 5, 2018	0.26	\$0.10
April 25, 2014	1,302,500	\$0.40	April 25, 2019	0.65	\$0.35
March 30, 2016	275,000	\$0.15	March 30, 2021	2.58	\$0.13
May 3, 2017	655,000	\$0.20	May 3, 2022	3.67	\$0.16
	2,332,500	\$0.31		1.71	

A summary of stock option activity during the years ended August 31, 2018 and 2017 is as follows:

	Number of Outstanding Options	Weighted Average Exercise Price
Outstanding – August 31, 2016	2,605,000	\$0.31
Issued	655,000	\$0.20
Expired	(140,000)	\$0.28
Outstanding – August 31, 2017	3,120,000	\$0.29
Issued	-	-
Expired	(787,500)	\$0.23
Outstanding – August 31, 2018	2,332,500	\$0.31

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

9. Share Capital - Continued

d) Warrants

At August 31, 2018, the following warrants to purchase common shares were outstanding and available to be exercised:

Issue Date	Number	Exercise		Remaining Years
		Price	Expiration	
January 9, 2017	50,000	\$0.18	January 9, 2020	1.36
December 7, 2017	4,071,031	\$0.20	December 7, 2019	1.27
December 14, 2017	3,666,667	\$0.20	December 14, 2019	1.29
December 14, 2017	158,690	\$0.15	December 7, 2019	1.27
	7,946,388	\$0.20		1.28

A summary of warrant activity during the years ended August 31, 2018 and 2017 is as follows:

	Number of Outstanding Warrants	Weighted Average Exercise Price
Outstanding - August 31, 2016	-	-
Issued	50,000	\$0.18
Outstanding - August 31, 2017	50,000	\$0.18
Issued	7,896,388	\$0.20
Outstanding – August 31, 2018	7,946,388	\$0.20

e) Basic and Diluted Income (Loss) Per Share

The total number of shares issuable from options and warrants are excluded from the computation of diluted income (loss) per share for the year ended August 31, 2018 because their effect would be anti-dilutive was 10,278,888 (2017 – 3,170,000).

10. Related Party Transactions

a) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company for the years ended August 31, 2018 and 2017 was as follows:

	2018	2017
	\$	\$
Short term benefits	435,720	402,715
Share based payments	-	204,206
	435,720	606,921

Short term benefits are included in: consultant fees and exploration and evaluation expenditures. Included in accounts payable and accrued liabilities as at August 31, 2018, is \$86,906 (2017 - \$53,870) owing to officers and management of TMC. The amounts are unsecured, non-interest bearing, and are due on demand.

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

10. Related Party Transactions – Continued

Included in accounts receivable as at August 31, 2018 is \$75,004 (2017 - \$12,832) due from SPC and CGM in total. These amounts are unsecured, non-interest bearing and due on demand.

b) See also Notes 6, 7 and 9(b) and (c).

11. Exploration Properties

As at August 31, 2018, the capitalized balance of mineral exploration property acquisition costs totalling \$238,005 (2017 – \$515,005) related to the acquisition of TMC by HTX, are allocated to the former TMC properties as follows: Gowganda Gold \$140,505 (2017 - \$300,505), Janice Lake \$nil (2016 – \$117,000), Pipestone - \$23,500 (2017 - \$23,500), Kidd Gold - \$17,000 (2017 – \$17,000), Homathko - \$52,000 (2017 – \$52,000), Doherty Lake - \$5,000. (2017 – \$5,000).

Summary of exploration and evaluation expenditures for the years ended August 31, 2018 and 2017:

Property	2018 \$	2017 \$
New project generation expenditures	231,413	11,687
Gowganda Gold	a 10,916	429,553
NRC new project generation expenditures	c 2,381	3,729
NRC Itchen Lake	c 16,319	3,982
NRC CO-20 Fire Shear	c -	1,559
Janice Lake	d (20,642)	13,470
Sunday Lake	e 150	86,793
Saturday Night	f 25,260	101,754
Eva Kitto	f -	3,000
Timber Wolf	g 20,235	11,413
Highland Gold	h 37,821	-
Other	i (26,199)	114,030
Totals	297,654	780,970

During the year ended August 31, 2018, gross proceeds of \$310,000 (2017 - \$57,725) were received from option payments.

11. Exploration Properties – Continued

Abitibi Gold – Ontario (a -c)

a) Gowganda Gold

The Company holds an interest in certain mining claims in Nicol, Haultain, and Van Hise townships in the Larder Lake Mining District near the town of Gowganda, Ontario.

On October 31, 2016, the Company and Aldershot Resources Ltd. (“Aldershot”) entered into a definitive option and joint venture agreement. Under the agreement, Aldershot could earn a 51% interest in the property by committing to funding \$400,000 (incurred) worth of exploration on the property in year one, and incur cumulative work expenditures totaling \$2,000,000 by the third anniversary of the agreement. In addition, Aldershot must issue 1,500,000 common shares to the Company on signing and provide an additional \$450,000 worth of Aldershot shares to the Company by the second anniversary date (5,500,000 shares received). During the reporting period ended August 31, 2018, Aldershot terminated its option and returned the property to the Company.

Pursuant to a First Nations Memorandum of Understanding (MOU) there is a 2% commitment to the First Nations on all exploration and evaluation expenditures and up to a \$15,000 commitment per year to fund an Environmental/Elders Committee.

b) Pipestone – Optioned to Gowest Gold Ltd.

This group of properties located in the Wark, Prosser, Little and Evelyn townships in Ontario, wholly owned by the Company. On April 27, 2011 and as amended February 3, 2014, the Company entered into an option and joint venture agreement with Gowest Gold Ltd. (“Gowest”) that provides Gowest with the option to acquire a 60% interest or 75% interest in the Pipestone Property. To earn a 60% in the Pipestone Property, Gowest would be required to make cash payments of \$100,000 (\$100,000 received), issue 500,000 common shares of Gowest to the Company (500,000 issued) and incur exploration expenditures of \$1,000,000 by the fourth-year anniversary of the agreement. Furthermore, Gowest retains the one-time option upon vesting its 60% interest to increase its ownership to 75% by issuing an additional 150,000 Gowest common shares to the Company and incurring an additional \$2,000,000 in exploration expenditures within two years. On April 25, 2016, Gowest vested its initial 60% interest in the property and notified the Company that it would not be increasing its interest to 75%. In 2017, the Company declined its right to maintain its 40% participating right in the project and may have its interest diluted accordingly.

c) Nunavut Resources Corporation Strategic Alliance

On March 5, 2012, the Company and Nunavut Resources Corp (NRC) executed a strategic alliance agreement (“Alliance”) to jointly generate and explore mineral properties in the Kitikmeot Region of Nunavut.

In November 2017, the 5-year alliance concluded. The Company has requested that all properties be converted to joint venture projects under the terms of the agreement. The properties include Inuit owned and federal mining lands in Nunavut. At the time of reporting, the joint ventures on the properties had not been established and the Company is under negotiations with NRC.

During the year ended August 31, 2018, the Company received \$Nil (2017 – \$89,455) in expense recoveries which is recorded as revenue from strategic alliances in the statement of income (loss) and \$Nil in management fees (2017 -\$8,945).

11. Exploration Properties – Continued

Itchen Lake

The Itchen Lake property is comprised of staked claims in western Nunavut. The claims are no longer registered to TMC but remain subject to the NRC strategic alliance, which is currently under negotiations.

CO-31 Arcadia Bay

The CO-31 Arcadia Bay property is an IOL acquired by NRC on behalf of the NRC alliance through a mineral exploration agreement with NTI, dated July 1, 2014.

CO-20 Fire Shear

The CO-20 Fire Shear property is an IOL acquired by NRC on behalf of the NRC alliance through a mineral exploration agreement with NTI, dated July 1, 2014.

CO-30 Anialik

The CO-30 Anialik property is an IOL acquired by NRC on behalf of the NRC alliance through a mineral exploration agreement with NTI, dated July 1, 2014.

Article 41

The Article 41 property is 36 kilometres northeast of Yellowknife and consists of crown land located in the Northwest Territories that was granted to the Kitikmeot Inuit Association as part of the Nunavut Land Claims Agreement (1993/1999).

Saskatchewan Copper

d) Janice Lake, Saskatchewan

The Company currently holds a 100% interest in the Janice Lake property in Saskatchewan. On February 5, 2018, the Company entered into an option agreement with Forum Energy Metals Corp. ("Forum") that provides Forum with the option to acquire a 100% interest in the Janice Lake Property. To earn 100%, Forum would be required to make cash payments of \$250,000 over four years (\$25,000 received), issue 8,000,000 common shares of Forum to the Company (2,000,000 issued) and incur exploration expenditures of \$250,000 within six months. The agreement also provides for a payment to the Company of \$1,000,000 on completion of a Feasibility Study and a \$5,000,000 payment within twelve months of commercial production. Upon exercise of the option the property is subject to a 2% NSR to the Company of which Forum can purchase 0.75% of the NSR for \$1,500,000.

Thunder Bay - Ni-Cu-PGM's

e) Sunday Lake

On February 1, 2014, the Company entered into an agreement with Impala Platinum Holdings Inc. ("Implats"), which assigned 100% of rights and interests in properties generated under a strategic alliance to the Company, with the exception of the Sunday Lake Property subject to a 1.0% to 1.5% NSR royalty held by Implats. Currently the Sunday lake property is held 25% (free carried interest to completion of a feasibility study) by the Company and 75% by Implats.

11. Exploration Properties – Continued

e) Sunday Lake – Continued

The property is subject to a number of underlying agreements noted below:

Parcels 19889, 19890 and eight claims are subject to an option agreement between the Company and Rio Tinto Explorations Canada Inc. (“RTEC”) dated May 10, 2013. Under the terms of the option agreement, the Company can acquire a 100% interest in the properties by making payments to RTEC totaling \$350,000 (\$225,000 paid) by the third anniversary of the agreement, subject to a payment of \$3,500,000 upon commercial production with an additional payment of \$1,500,000 on or before the first anniversary of commercial production. The Company’s interest in the optioned properties is also subject to a 1.5% NSR held by RTEC, of which 0.5% can be purchased for \$1,000,000. On June 14, 2016, the final payment to RTEC was made thus vesting the joint venture’s 100% interest in the property grouping subject to the pre-production royalty payments and associated NSR noted above.

Parcel 19889, is subject to an underlying agreement between RTEC and a vendor that allows the Company to conduct mineral exploration on the property by making annual rental payments of \$1,132 with an option to purchase the surface and mineral rights by paying the vendors 1.5 times the fair market value of the premises subject to a 1% NSR, of which the Company can purchase 0.5% for \$250,000. This agreement has been extended to January 1, 2019. Under the terms of extension, the Company made a \$20,000 payment on signing.

Parcel 19890, is subject to an underlying agreement between RTEC and vendors that allows the Company to conduct mineral exploration on the property by making annual rental payments of \$1,000, with an option to purchase the surface and mineral rights by paying the vendors 1.5 times the fair market value of the premises subject to a 1% NSR, of which the Company can purchase 0.5% for \$250,000. This agreement has been extended to December 1, 2019. Under the terms of the extension, the Company must make lease payments of \$5,000 upon signing and \$5,000 before December 1, 2017 and has the option to make a \$7,500 lease payment on December 1, 2018 to maintain the lease extension.

Parcel 6056 and one claim are subject to an assignment agreement between the Company and RTEC dated March 25, 2013 and underlying agreements between RTEC, Peter DeRozea and the Sunday Lake Syndicate. Under the terms of this agreement, the Company can earn a 100% interest by making cash payments totaling \$250,000 by March 31, 2014, subject to a 3% NSR held by the vendors. Upon vesting, pre-production royalty payments of \$40,000 per year to a total of \$200,000 are due, the total of which will be deducted from future production based NSR payments. The Company maintains the right to purchase 2% of the NSR from DeRozea and the Sunday Lake Syndicate for \$2,000,000. During the year ended August 31, 2016, a \$140,000 payment to the Sunday Lake Syndicate was made thus vesting the Joint Venture’s 100% interest in the property grouping subject to the pre-production royalty payments and associated NSR noted above.

On December 27, 2013, the Company entered into an option to purchase agreement with a private land owner near Sunday Lake. Under the terms of the agreement, the Company must make bi-annual lease payments of \$3,000 until June 2016. The Company retains the right during the option period to purchase a 100% interest in the surface and mineral rights of the property for 1.5 times the fair market value of the unimproved property, subject to a 1% NSR. This Agreement has been extended by 2 years. Under the terms of the extension the lease payments have increased to \$12,000 and \$20,000.

On January 23, 2014, the Company entered into an option to purchase agreement with a private land owner near Sunday Lake. Under the terms of the agreement, the Company must make bi-annual lease payments of \$3,725 until July 2018. The Company retains the right during the option period to purchase a 100% interest in the surface and mineral rights of the property for 1.5 times the fair market value of the unimproved property, subject to a 1% NSR, of which the Company can purchase back 0.5% for \$500,000.

11. Exploration Properties – Continued

e) Sunday Lake – Continued

In June of 2017, the Company entered into an option agreement with joint venture partner Implats and North American Palladium Ltd. (“NAP”) whereby NAP has the right to acquire Implats’ 75% ownership in the Sunday Lake Project by completing work commitments totaling \$4,500,000 and making cash payments of \$3,500,000 over a five year period according to the following schedule: Stage 1: NAP may acquire a 51% controlling interest in the property by completing \$1,500,000 of exploration expenditures and making cash payments of \$75,000 to TMC and \$675,000 to Implats within a two year period; Stage 2: NAP may increase its interest from 51% to 65% by completing an additional \$2,500,000 of exploration expenditures and making further cash payments of \$125,000 to TMC and \$1,125,000 to Implats within a two year period; and Stage 3: NAP may further increase its interest from 65% to 75% by completing an additional \$500,000 of exploration expenditures and making final cash payments of \$150,000 to TMC and \$1,350,000 to Implats within a one year period. TMC retains a 25% free carried interest until the completion of Feasibility Study.

f) Thunder Bay – Saturday Night, Eva Kitto, Hele, Owl Lake, Fraser Lake, Empire Lake, Revell and Garden Lake

At August 31, 2018 and 2017, the Company maintained a 100% interest in property groupings in the Thunder Bay Mining District for which it is seeking partners. These properties include Saturday Night, Eva Kitto, Hele, Owl Lake, Fraser Lake, Empire Lake, Revell and Garden Lake.

g) Timber Wolf

On February 26, 2010, the Company was granted 17 mineral leases for 20 years in the Aitkin and Carlton counties by the State of Minnesota. Each lease is subject to an escalating underlying royalty ranging from 0.5% to 2.5% above the stated baseline state royalty which is linked to ore value at the time of production. Subsequent to the reporting date, the Company has terminated its lease agreements and no longer holds mineral rights in the State of Minnesota.

h) Highland Gold, Nova Scotia

On August 20, 2018, the Company entered into an option agreement to acquire a 100% interest in the >45 square kilometre Highland Gold property located in the Cape Breton Highlands of Nova Scotia. The Company has since completed some additional staking.

In addition effective August 1, 2018, the Company optioned certain other mineral claims. To earn a 100% interest, the Company is required to make cash payments of \$170,000 over four years (\$10,000 paid), issue \$175,000 worth of common shares of the Company (\$15,000 worth of shares issued) over four years and incur exploration expenditures of \$1,500,000 over five years. The agreement also provides for a milestone payment by the Company of \$500,000 in cash or shares within 90 days after a commercial production decision. If by the 8th anniversary of the agreement no production decision has been made, a milestone prepayment of \$25,000 per year to the Optionee capped at \$500,000. Upon exercise of the option the property is subject to a 1% NSR of which the Company can purchase 1.00% of the NSR for \$1,250,000. The Optionee will be granted a 1.0% NSR on the adjacent company staked Claims. The Company retains the right to purchase from the Optionee the Company granted 1.0% NSR on the adjacent properties for \$500,000.

As at August 31, 2018, the project consists of 10 staked and optioned claims.

11. Exploration Properties – Continued

i) Other

As at August 31, 2018, the Company maintained ownership interests located in Ontario, New Brunswick, Saskatchewan and British Columbia.

Dundonald, Ontario

The Dundonald property near Timmins consists of 29 freehold patents, mining leases and claims, for a total of 951 hectares. On August 27, 2018 the Company announced that it had signed a binding Letter of Intent with VaniCom Limited (“VaniCom”) of Perth, Western Australia for the sale of a 100% interest in the Dundonald Nickel Project located near Iroquois Falls, Ontario. The purchase terms include a payment of \$50,000 by VaniCom to the Company on signing the Binding Letter of Intent with a further payment of \$100,000 to the Company in cash on closing of the definitive Purchase Agreement. In addition, VaniCom will issue the Company shares with a value of \$350,000. Transition will receive a 2.5% Net Smelter Return Royalty on any future production from the Property. The Letter of Intent also includes a requirement that VaniCom incur expenditures of at least \$750,000 on exploration and development on the Property over a 36-month period.

Homathko, British Columbia

The Homathko Property consists of 100% owned staked claims in the Caribou Regional District, British Columbia, located approximately 200 kilometres west of Williams Lake.

Athabasca Uranium, Saskatchewan

The Athabasca Uranium property consists of 100% owned staked claims along the south range of the Athabasca basin, Saskatchewan.

Porterville and Lewisporte, Newfoundland

The Porterville Property consists of staked claims acquired during the fiscal year period along the south shore of the Bay of Exploits, Newfoundland.

The Lewisporte Property consists of staked claims located to the east of the Porterville Property extending from the Bay of Exploits south to Burnt Bay.

Bear Lake, New Brunswick

The Bear Lake Property consists of map staked units in southern New Brunswick which were acquired during the reporting period.

Dungarvon, New Brunswick

The Dungarvon Property consists of map staked units located in central New Brunswick approximately 15 km northwest of the Burnthill Tungsten Mine

Simpson Lake, New Brunswick

The Simpson Lake Property consists of map staked units in southern New Brunswick.

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

12. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 - 26.5%) were as follows:

	2018	2017
	\$	\$
Income (loss) before income taxes	1,434,719	(3,078,567)
Expected income tax (recovery) expense based on statutory rate	380,000	(816,000)
Adjustment to expected income tax benefit:		
Permanent differences and other	544,000	693,000
Change in unrecorded deferred tax asset	(924,000)	123,000
Deferred income tax (recovery) provision	-	-

b) Deferred Tax

Recognized deferred tax assets (liabilities) were as follows:

	2018	2017
	\$	\$
Investments	(440,000)	-
Other	440,000	-
Total	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
	\$	\$
Non-capital loss carry-forwards	1,170,000	2,209,000
Share issuance costs	8,000	77,000
Exploration properties	1,713,000	4,389,000
Other	410,000	343,000
Total	3,301,000	7,018,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) Loss Carry-Forwards

As at August 31, 2018, the Company has available, non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future periods. The tax losses expire from 2033 to 2038. Exploration property expenditure pools do not expire under current legislation.

13. Income Taxes – Continued

d) Investment in Associate

The aggregate amount of taxable temporary differences associated with investments in associates' tax liabilities as at August 31, 2018 is 2,282,379 (2017 - \$2,499,990). No deferred taxes are recognized on the temporary differences related to investment in associates.

13. Capital Management

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended August 31, 2018 and 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. The Company is not subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is dependent on its strategic alliance partners as well as on the capital markets to finance exploration and development activities.

14. Financial Instruments and Financial Risk Factors

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts the Company's current financial assets and liabilities approximate fair market value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no material changes in these risks, objectives, policies and procedures during the years ended August 31, 2018 and 2017.

Credit Risk

The Company's credit risk is primarily attributable to its amounts receivable. Amounts receivable consists of sales taxes due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from its operations. Management believes that the credit risk concentration with respect to financial instruments included in other assets is low. The Company also received funding from exploration partners including Implats, Aldershot, NRC and SPC. The Company believes that the credit risk associated with all of these corporations is low.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2018, the Company has current assets totalling \$2,146,223 (2017 – \$1,280,463) to settle current liabilities of \$275,169 (2017 - \$296,366).

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2018 and 2017
(Expressed in Canadian Dollars)

14. Financial Instruments and Financial Risk Factors - Continued

Price Risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Interest Rate Risk

The Company does not currently have any outstanding variable interest bearing loans and, therefore, the Company is not exposed to interest rate risk through fluctuation in the prime interest rate.

15. Commitments and Contingencies

Environmental Contingencies

The Company's exploration activities are subject to various federal, state, provincial, and international 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.

Flow-through Expenditures

From time-to time, the Company and its associates enter into flow-through financings and indemnify the subscribers of flow-through shares for any tax related amounts that become payable by the subscriber. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. While the Company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities.

See Note 11.

16. Supplemental Cash Flow Information

Cash flows from discontinued operations

	2018	2017
	\$	\$
Operating cash flows	(1,181,413)	(840,179)
Investing cash flows	-	(5,000)
Financing cash flows	1,416,250	794,720
Change in cash flows from discontinued operations	234,837	(50,459)

17. Subsequent Events

- a) On December 5, 2018, 100,000 options expired (see Note 9(c)).
- b) Subsequent to August 31, 2018, the Company issued \$15,000 worth of common shares (108,775 common shares) pursuant to the Highland Gold option agreement (see Note 11(h)).