



Transition Metals

Transition Metals Corp.

Consolidated financial statements for the years ended August 31, 2019 and 2018
(expressed in Canadian dollars)

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Independent Auditor's Report

To the Shareholders of Transition Metals Corp.

Opinion

We have audited the consolidated financial statements of Transition Metals Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
December 13, 2019

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

	Notes	August 31, 2019	August 31, 2018
		\$	\$
Assets			
Current assets			
Cash		594,104	1,155,873
Restricted cash equivalents	4	49,574	49,219
Amounts receivable	6,10	101,997	334,897
Investment in marketable securities	5	490,583	587,500
Prepaid expenses		19,139	18,734
Total current assets		1,255,397	2,146,223
Non-current assets			
Investment in SPC	6	1,959,473	2,161,862
Investment in CGM	7	2,055,962	2,370,517
Mineral exploration property acquisition costs	11	221,005	238,005
Equipment	8	14,136	18,973
Total assets		5,505,973,250, 576	6,935,580
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	227,969	275,169
Total liabilities		227,969	275,169
Equity			
Share capital	9(a,b)	9,909,668	9,706,852
Warrants	9(d)	304,521	304,521
Share-based payment reserve	9(c)	277,050	906,760
Deficit		(5,213,235)	(4,257,722)
Total shareholders' equity		5,278,004	6,660,411
Total liabilities and shareholders' equity		5,505,973	6,935,580

Going concern (Note 2)

Commitments and contingencies (Notes 11 and 15)

Subsequent event (Note 17)

Please see accompanying notes to the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on December 13, 2019 and signed on its behalf by:

"Scott McLean", Director

"Jason Marks", Director

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

For The Years Ended August 31,	Notes	2019	2018
		\$	\$
Revenues			
Revenues from strategic alliances	11	-	31,641
Management fees	6	64,230	79,377
Total revenues		<u>64,230</u>	<u>111,018</u>
Expenses			
Exploration and evaluation expenditures	10,11	227,442	297,654
Consultant fees	10	164,596	189,281
Depreciation	8	4,837	6,604
Investor relations		144,692	180,811
Professional fees		131,228	141,848
Office and general		215,942	281,829
Share based compensation	9,10	136,500	-
Rent		53,951	52,622
Total expenses		<u>1,079,188</u>	<u>1,150,649</u>
Other Items			
Share of loss of investment accounted for using the equity method	6,7	(431,267)	(526,361)
Interest income		9,861	3,992
Other income	9	60,797	15,737
Gain on sale of marketable securities	5	-	406,442
Unrealized (loss) gain on marketable securities	5	(261,917)	367,500
Loss on dilution in SPC	6	-	(124,965)
Write down of investment in SPC	6	-	(766,285)
Write down of investment in CGM	7	(85,677)	-
Foreign exchange gain		1,438	295
Total other items		<u>(706,765)</u>	<u>(623,645)</u>
Net loss from continuing operations		(1,721,723)	(1,663,276)
Loss from CGM operations to the date of loss of control net of tax effect of \$nil	7	-	(603,024)
Gain on deconsolidation of CGM	7	-	3,701,019
Net (loss) income and comprehensive (loss) income for the year		<u>(1,721,723)</u>	<u>1,434,719</u>
Basic and diluted net (loss) income per share			
(Loss) income per share from continuing operations		(0.04)	(0.04)
(Loss) Income per share from discontinued operations		-	0.08
Net (loss) income per share		<u>(0.04)</u>	<u>0.04</u>
Weighted average number of common shares outstanding			
Basic	9(e)	42,802,187	38,656,040
Diluted	9(e)	<u>42,802,187</u>	<u>38,656,040</u>

Please see accompanying notes to the consolidated financial statements

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

	Note	Common shares #	Share capital \$	Options reserve \$	Warrants reserve \$	Deficit \$	Total \$	Options and warrants of subsidiary \$	Net assets attributed to Non- controlling interest \$	Total \$
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
Balance, August 31, 2018		41,507,131	9,706,852	906,760	304,521	(4,257,722)	6,660,411	-	-	6,660,411
Shares issued for property acquisitions	9(b)	368,625	65,000	-	-	-	65,000	-	-	65,000
Issuance of shares net of costs	9(b)	1,739,000	137,816	-	-	-	137,816	-	-	137,816
Share based compensation	9(d)	-	-	136,500	-	-	136,500	-	-	136,500
Options expired		-	-	(766,210)	-	766,210	-	-	-	-
Net loss for the year		-	-	-	-	(1,721,723)	(1,721,723)	-	-	(1,721,723)
Balance, August 31, 2019		43,614,756	9,909,668	277,050	304,521	(5,213,235)	5,278,004	-	-	5,278,004

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	2019 \$	2018 \$
Operating Activities			
Net (loss) income for the year		(1,721,723)	1,434,719
Add items not affecting cash			
Shares issued for property acquisitions	9(b)	65,000	-
Depreciation	8	4,837	6,604
Property option payments received in shares		(145,000)	(280,000)
Gain on sale of marketable securities		-	(406,442)
Unrealized loss (gain) on marketable securities		261,917	(367,500)
Foreign exchange (gain) loss		-	(295)
Flow through liability realized on renunciation		(52,170)	-
Share based compensation		136,500	-
Gain on deconsolidation of CGM		-	(3,701,019)
Loss on dilution in SPC		-	124,965
Write down of investment in SPC		-	766,285
Write down of investment in CGM	7	85,677	
Share of loss of investment accounted for using the equity method	6,7	431,267	526,361
Loss from discontinued CGM operations		-	603,024
Write down of mineral exploration property acquisition costs	11	17,000	277,000
Net change in non-cash working capital		185,295	590,381
Cash flows from operating activities		(731,400)	(425,917)
Investing Activities			
Proceeds on sale of marketable securities	5	-	518,942
Purchase of marketable securities		(20,000)	-
Cash in CGM on deconsolidation		-	(1,053,973)
Restricted cash equivalents		(355)	4,877
Cash flows from investing activities		(20,355)	(530,154)
Financing Activities			
Issuance of common shares	9(b)	199,995	1,160,655
Cost of issuances		(10,009)	(24,140)
Cash flows from financing activities		189,986	1,136,515
(Decrease) increase in cash		(561,769)	180,444
Cash, beginning of year		1,155,873	975,429
Cash, end of year		594,104	1,155,873

Supplemental information (Note 16)

Please see accompanying notes to the consolidated financial statements

Transition Metals Corp.
Notes to the Consolidated Financial Statements
August 31, 2019 and 2018
(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, 2019 (2018 - 30%).

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 25,539,767 common shares to outside parties since incorporation resulting in the Company owning 37% of CGM at August 31, 2019 (August 31, 2018 - 38%). 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, 2019, the Company held a 100% interest in HTX (2018 – 100%).

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.

1. 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.

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.

3. Summary of Significant Accounting Policies - Continued

Revenue Recognition – Continued

Interest income is recognized on the Statement of (Loss) Income and Comprehensive (Loss) income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

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 (loss) income 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 (loss) income.

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 (loss) income.

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.

3. Summary of Significant Accounting Policies – Continued

Investments in Associates - Continued

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, 2019, the Company's direct ownership has been diluted to 30% (August 31, 2018 – 30%) 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, 2019, the Company's direct ownership has been diluted to 37% (August 31, 2018 - 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's are accounted for using the equity method.

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

As at August 31, 2019 and 2018, 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.

3. Summary of Significant Accounting Policies – Continued

Equipment –Continued

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 (loss) income.

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.

3. Summary of Significant Accounting Policies - Continued

Income Taxes - Continued

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 profits 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.

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.

3. Summary of Significant Accounting Policies - Continued

Share-Based Payments and Warrants - Continued

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. Unexercised expired stock options and warrants are transferred to deficit.

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 net (loss) income.

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, 2019 and 2018.

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, 2019 and 2018.

3. Summary of Significant Accounting Policies - Continued

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, 2019 and 2018 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.

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.

3. Summary of Significant Accounting Policies - Continued

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.

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.

3. Summary of Significant Accounting Policies - Continued

Critical Accounting Estimates and Judgments - Continued

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, 2019 (2018 - 30%).

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 37% of the voting rights as of August 31, 2019 (2018 - 38%).

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 11 and 15.

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.

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3. Summary of Significant Accounting Policies - Continued

Changes in accounting policies

Financial Instruments

Effective September 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at September 1, 2018. There were no effects on opening balances at September 1, 2018 with respect to the adoption of these policies.

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Restricted cash equivalents	FVPL	FVPL
Amounts receivable	Loans and receivables	Amortized cost
Investment in marketable securities	FVPL	FVPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended August 31, 2018 was accounted for in accordance with the Company’s previous accounting policy under IAS 39.

3. Summary of Significant Accounting Policies - Continued

Financial Instruments (Continued)

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Accounting policy under IFRS 9 applicable from September 1, 2018

Financial assets - Continued

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of (loss) income. The Company’s investments in marketable securities are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

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

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

Dividends from such investments are recognized in other income in the consolidated statements of (loss) income when the right to receive payments is established.

3. Summary of Significant Accounting Policies - Continued

Financial Instruments - Continued

Derecognition

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

Impairment of financial assets

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Accounting policy under IAS 39 applicable prior to September 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, excluding derivative instruments related to hedging activities, was similar to the accounting policy adopted in 2019, with the following exceptions:

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.

3. Summary of Significant Accounting Policies - Continued

Financial Instruments – Continued

Financial Assets - Continued

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 (loss) income. 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.

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. On sale or impairment, the cumulative amount recognized in other comprehensive income or loss is reclassified from accumulated other comprehensive loss/income to profit or loss.

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 (loss) income and comprehensive (loss) income.

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).

3. Summary of Significant Accounting Policies - Continued

Financial Instruments - Continued

Financial Assets - Continued

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.

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.

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 January 1, 2019. 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.

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

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

3. Summary of Significant Accounting Policies - Continued

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

IFRS 3 – Business Combinations (“IFRS 3”) and IFRS 11 – Joint Arrangements (“IFRS 11”) were amended in December 2017. IFRS 3 was amended to clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, it re-measures previously held interests in that business. IFRS 11 was amended to clarify that when a party that participates in, but does not have joint control of, a joint operation obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

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.

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.

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, 2019, the Company held GICs in the aggregate amount of \$49,574 (August 31, 2018 - \$49,219) as security for its corporate credit cards.

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5. Investment in Marketable Securities

The Company holds 416,667 common shares post 6 for 1 roll back (August 31, 2018: 2,500,000) of YSS Corp. (formerly Solo Growth Corp.) pursuant to an option agreement (Note 11(a)). The YSS shares have been valued at \$0.335 per share as at August 31, 2019 (August 31, 2018 - \$0.195) based on their quoted market price. The Company holds 5,400,000 common shares (August 31, 2018 0 - 2,000,000) of Forum Energy Metals Corp. ("Forum") pursuant to an option agreement (Note 11(d)). The Forum shares have been valued at \$0.065 per share as at August 31, 2019 (August 31, 2018 – \$0.05) based on their quoted market price. The Company realized a gain on sale of marketable securities of nil (2018 - \$406,442).

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 \$23,789 (2018 - \$29,368) charged to SPC during the year ended August 31, 2018. Included in amounts receivable as at August 31, 2019, is \$27,681 (2018 - \$33,270) 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, 2019, the Company's ownership has diluted to 30%.

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

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

Balance, August 31, 2017	\$ 3,249,990
Loss on dilution	(124,965)
Write down	(766,285)
Share of the loss for the year	<u>(196,878)</u>
Balance, August 31, 2018	\$2,161,862
Share of the loss for the year	<u>(202,389)</u>
Balance, August 31, 2019	<u><u>\$1,959,473</u></u>

Summarized financial information for SPC as at August 31, 2019 and 2018 and for the years then ended is as follows:

	2019	2018
	\$	\$
Current and total assets	967,350	1,664,112
Current and total liabilities	407,023	557,685
Total equity	560,327	1,106,427
Net loss and comprehensive loss	(684,901)	(598,409)
Cash flows from operating activities	(703,450)	(237,799)
Cash flows from investing activities	(76)	(51)
Cash flows from financing activities	-	1,890,217

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7. Investment in Canadian Gold Miner Corp.

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 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 year ended August 31, 2018, 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 (loss) income and comprehensive (loss) income.

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.

On December 29, 2018, CGM closed a private placement financing issuing 866,667 flow through common shares for proceeds of \$130,000. Finders were paid a cash fee of \$5,000. TMC held approximately 37% of the common shares of CGM.

Included in management fees is \$40,440 (2018 – \$63,833) charged to CGM during the year. Included in amounts receivable as at August 31, 2019 is \$18,000 (2018 - \$41,734) due from CGM.

Summarized financial information for CGM as at August 31, 2019 and 2018 and for the years then ended is as follows:

	2019	2018
	\$	\$
Current and total assets	227,574	766,359
Current and total liabilities	50,279	225,699
Total equity	177,295	541,259
Net loss and comprehensive loss	(616,114)	(1,487,075)
Cash flows from operating activities	(724,279)	(1,181,413)
Cash flows from investing activities	(25)	-
Cash flows from financing activities	125,000	1,416,250

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	\$2,370,517
Write down	(85,677)
Share of the loss for the year	<u>(228,878)</u>
Balance, August 31, 2019	<u>\$2,055,962</u>

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8. Equipment

	Furniture	Vehicles	Computer Equipment and Software	Exploration Equipment	Total
Cost	\$	\$	\$	\$	\$
Balance August 31, 2017	32,906	107,514	269,453	53,270	463,143
Additions	-	-	-	-	-
Balance August 31, 2018	32,906	107,514	269,453	53,270	463,143
Additions	-	-	-	-	-
Cost at August 31, 2019	32,906	107,514	269,453	53,270	463,143
<i>Accumulated depreciation and impairment</i>					
Balance at August 31, 2017	26,077	95,369	269,453	46,667	437,566
Additions	1,366	3,643	-	1,595	6,604
Balance at August 31, 2018	27,443	99,012	269,453	48,262	444,170
Additions	711	2,551	-	1,575	4,837
Balance at August 31, 2019	28,154	101,563	269,453	49,837	449,007
Net book value August 31, 2018	5,463	8,502	-	5,008	18,973
Net book value August 31, 2019	4,752	5,951	-	3,433	14,136

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, 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.

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9. Share Capital - Continued

Year ended August 31, 2018 - Continued

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.

Year ended August 31, 2019

On October 15, 2018 the Company issued 108,775 shares at \$0.138 per share based on the quoted market price (total value of \$15,000) in satisfaction of an exploration property option payment see Note 11(h)

On December 28, 2018, the Company completed a flow through private placement for gross proceeds of \$199,985. The Company issued 1,739,000 common shares at \$0.12 per share. Share issue costs related to the offering were \$10,010. The flow-through common shares were issued at a premium in recognition of the tax benefits accruing to subscribers. The Company recorded a premium of \$52,170 which was subsequently reversed as all flow through the statement of (loss) income.

On June 28, 2019 the Company issued 127,600 shares at \$0.196 per share based on the quoted market price (total value of \$25,000) in satisfaction of an exploration property option payment see Note 11(j).

On August 14, 2019 the Company issued 132,550 shares at \$0.189 per share based on the quoted market price (total value of \$25,000) in satisfaction of an exploration property option payment see Note 11(h).

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.

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9. Share Capital - Continued

c) Stock Options - Continued

On January 9, 2019, the Company granted 1,950,000 incentive stock options to directors, management and employees of the Company, exercisable at \$0.10 per share for a period of 5 years. The grant date fair value of \$0.07 per option was estimated using the Black-Scholes option pricing model based on the following assumptions: expected life of 5 years, expected volatility of 121%, expected dividend yield of 0%, and a risk free interest rate of 1.91%. The options vested immediately. Management and directors were granted 1,740,000 incentive stock options.

At August 31, 2019, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
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
January 9, 2019	1,950,000	\$0.10	January 9, 2024	4.36	\$0.07
	2,880,000	\$0.13		3.71	

A summary of stock option activity during the years ended August 31, 2019 and 2018 is as follows:

	Number of Outstanding Options	Weighted Average Exercise Price
Outstanding – August 31, 2017	3,120,000	\$0.29
Issued	-	-
Expired	(787,500)	\$0.23
Outstanding – August 31, 2018	2,332,500	\$0.31
Issued	1,950,000	\$0.10
Expired	(1,402,500)	\$0.39
Outstanding – August 31, 2019	2,880,000	\$0.13

d) Warrants

At August 31, 2019, the following warrants to purchase common shares were outstanding and available to be exercised:

Issue Date	Number	Exercise Price	Expiration	Remaining Years
January 9, 2017	50,000	\$0.18	January 9, 2020	0.36
December 7, 2017	4,071,031	\$0.20	December 7, 2019	0.27
December 14, 2017	3,666,667	\$0.20	December 14, 2019	0.29
December 14, 2017	158,690	\$0.15	December 7, 2019	0.29
	7,946,388	\$0.20		0.28

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9. Share Capital - Continued

d) Warrants - Continued

A summary of warrant activity during the years ended August 31, 2019 and 2018 is as follows:

	Number of Outstanding Warrants	Weighted Average Exercise Price
Outstanding - August 31, 2017	50,000	0.18
Issued	7,896,388	\$0.20
Outstanding – August 31, 2018 and 2019	7,946,388	\$0.20

e) Basic and Diluted (Loss) Income Per Share

The total number of shares issuable from options and warrants are excluded from the computation of diluted (loss) income per share for the year ended August 31, 2019 because their effect would be anti-dilutive was 10,826,388 (2018 – 10,278,888).

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, 2019 and 2018 was as follows:

	2019 \$	2018 \$
Short term benefits	350,812	435,720
Share based payments	121,800	-
	<u>472,612</u>	<u>435,720</u>

Short term benefits are included in: consultant fees and exploration and evaluation expenditures. Included in accounts payable and accrued liabilities as at August 31, 2019, is \$41,111 (2018 - \$86,906) owing to officers and management of TMC. The amounts are unsecured, non-interest bearing, and are due on demand. Included in amounts receivable as at August 31, 2019 is \$45,681 (2018 - \$75,004) 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(c).

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11. Exploration Properties

As at August 31, 2019, the capitalized balance of mineral exploration property acquisition costs totalling \$221,005 (2018 – \$238,005) related to the acquisition of TMC by HTX, are allocated to the former TMC properties as follows: Gowganda Gold \$140,505 (2018 - \$140,505), Pipestone - \$23,500 (2018 - \$23,500), Kidd Gold - \$Nil (2018 – \$17,000), Homathko - \$52,000 (2018 – \$52,000), Doherty Lake - \$5,000. (2018 – \$5,000).

Summary of exploration and evaluation expenditures for the years ended August 31, 2019 and 2018:

Property		2019 \$	2018 \$
New project generation expenditures		210,866	231,413
Gowganda Gold	a	(95,795)	10,916
NRC new project generation expenditures	c	-	2,381
NRC Itchen Lake	c	-	16,319
NRC CO-20 Fire Shear	c	-	-
Janice Lake	d	(168,084)	(20,642)
Sunday Lake	e	(55,849)	150
Saturday Night	f	17,464	25,260
Eva Kitto	f	198	-
Timber Wolf	g	-	20,235
Highland Gold	h	296,990	37,821
Bear Lake	i	3,755	-
Maude Lake	j	54,268	-
Cryderman	k	13,986	-
Duntara	l	18,577	-
Other	m	(68,934)	(26,199)
Totals		227,442	297,654

During the year ended August 31, 2019, gross proceeds of \$430,983 (2018 - \$310,000) were received from sale and option payments.

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.

11. Exploration Properties – Continued

a) Gowganda Gold - Continued

On March 12, 2019, the Company executed an option and joint venture agreement with Battery Minerals Resources Limited (“Battery”) whereby Battery can earn a up to an 80% interest in the Gowganda Gold project. To earn a 60% interest, Battery must provide option payments totaling \$600,000 over 3 years that includes a \$75,000 payment upon execution of the Agreement (received) and \$25,000 that was received by the Company upon execution of a binding term sheet. In addition, Battery must complete \$3,400,000 of exploration expenditures over 3 years including a commitment of \$400,000 during the first year. Upon vesting a 60% interest, Battery may increase its interest to 80% by delivering a feasibility study within three years subject to certain time extension provisions. After earning its 60% or 80% interest in the property, a joint venture would be formed, with each party funding its proportionate share of future work programs or suffering dilution of interest.

b) Pipestone – Optioned to Gowest Gold Ltd.

This group of properties located in the Wark, Prosser, Little and Evelyn townships in Ontario, is 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, 2019, the Company received \$Nil (2018 – \$Nil) in expense recoveries which is recorded as revenue from strategic alliances in the statement of income (loss) and \$Nil in management fees (2018 - \$Nil).

On August 12, 2019, the NRC Alliance was formally terminated and all projects generated under the Alliance were assigned to West Kitikmeot Gold, (“WKG”) a private subsidiary of Nunavut Resources Corporation. The Company’s wholly owned subsidiary, HTX converted its interest in the projects for 1,000,000 shares (to be received) of WKG that represents 10% of the seed shares of WKG which have been valued at \$Nil at this time.

11. Exploration Properties – Continued

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.

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.

11. Exploration Properties – Continued

e) Sunday Lake – Continued

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.

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, 2019 and 2018, 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.

11. Exploration Properties – Continued

h) Highland Gold, Nova Scotia

On August 20, 2018, the Company entered into an option agreement to acquire a 100% interest in the Highland Gold property located in 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 (\$35,000 paid), issue \$175,000 worth of common shares of the Company (\$65,000 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, 2019, the project consists of 16 staked and optioned claims.

i) Bear Lake

The Bear Lake Property consists of map staked units in southern New Brunswick which were acquired during the reporting period. During the year ended August 31, 2019, the claims were allowed to lapse and the Company has no further interest in the property.

j) Maude Lake

On December 3, 2018, the Company entered into an option agreement to acquire a 100% interest in the Maude Lake property located in Ontario. Pursuant to the terms of the option agreement, TMC retains the right and option to earn a 100% interest in the property by issuing \$25,000 in cash (paid) and \$25,000 in shares (issued) to the vendor over a 6-month period (see note 9(b)). If the Company vests its interest, the vendor would retain a 2% Net Smelter Return royalty ("NSR") with TMC retaining the right to buy back 1.5% NSR for \$2,000,000.

k) Cryderman

On April 18, 2019 the Company entered into an option agreement to acquire a 100% interest in the Cryderman Lake property in Ontario. Pursuant to the terms of the option agreement, TMC retains the right and option to earn a 100% interest in the property by issuing \$60,000 in cash (paid) on signing and an additional \$110,000 in cash over a 3 year period and incurring work commitments of 300,000 over a 3 year period. If the Company vests its interest, the Vendor would retain a 2% NSR with TMC retaining the right to buy back 1.0% NSR for \$1,000,000.

l) Duntara

The Company staked a new r property known as the Duntara Copper in Eastern Newfoundland.

11. Exploration Properties – Continued

m) Other

As at August 31, 2019, 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. 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. TMC will receive a 2.5% NSR 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.

On August 2, 2019, VaniCom converted its shares to Legendary Ore Mining Corporation (“Legendary”) on the basis of 1 Legendary share for each 1.14 VaniCom shares held). Subsequently, Legendary completed a reverse take-over of Lakefield Marketing Corp. which was renamed Class 1 Nickel and Technologies Inc. (“Class 1”) on a basis of 1 Legendary shares for 1 Class 1 share.

Subsequent to August 31, 2019, the Company received 1,529,720 Class 1 shares.

Homathko, British Columbia

The Homathko Property consists of 100% owned staked claims in British Columbia.

Athabasca Uranium, Saskatchewan

The Athabasca Uranium property consists of 100% owned staked claims in Saskatchewan.

Porterville and Lewisporte, Newfoundland

The Porterville and Lewisporte Properties consists of staked claims in 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.

Dungarvon, New Brunswick

The Dungarvon Property consists of map staked units located in New Brunswick.

Simpson Lake, New Brunswick

The Simpson Lake Property consists of map staked units in New Brunswick. During the reporting period the claims were allowed to lapse and the Company has no further interest in the property.

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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% (2018 - 26.5%) were as follows:

	2019	2018
	\$	\$
(Loss) Income before income taxes	(1,721,723)	1,434,719
Expected income tax (recovery) expense based on statutory rate	456,000	380,000
Adjustment to expected income tax benefit:		
Permanent differences and other	(236,000)	544,000
Change in unrecorded deferred tax asset	692,000	(924,000)
Deferred income tax (recovery) provision	-	-

b) Deferred Tax

Recognized deferred tax assets (liabilities) were as follows:

	2019	2018
	\$	\$
Investments	(188,000)	(440,000)
Other	(188,000)	440,000
Total	-	-

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

	2019	2018
	\$	\$
Non-capital loss carry-forwards	1,978,000	1,170,000
Share issuance costs	52,000	8,000
Exploration properties	3,591,000	1,713,000
Other	415,000	410,000
Total	6,036,000,	3,301,000

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, 2019, 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 2039. Exploration property expenditure pools do not expire under current legislation.

12. 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, 2019 is 1,861,924 (2018 - \$2,282,379). 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, 2019 and 2018. 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, 2019 and 2018.

Credit Risk

The Company's credit risk is primarily attributable to its amounts receivable. Amounts receivable consist primarily 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 CGM, SPC and the government of Nova Scotia. 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, 2019, the Company has current assets totalling \$1,255,397 (2018 - \$2,146,223) to settle current liabilities of \$227,969 (2018 - \$275,169).

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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 (see Note 9). 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

	2019	2018
	\$	\$
Operating cash flows	-	(1,181,413)
Investing cash flows	-	-
Financing cash flows	-	794,720
Change in cash flows from discontinued operations	-	(50,459)

17. Subsequent Event

Subsequent to the year end 4,071,031 warrants expired unexercised (see note 9(d)).