



STUHINI

EXPLORATION

**STUHINI EXPLORATION LTD.
FINANCIAL STATEMENTS
(expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTHS
ENDED AUGUST 31, 2019 AND 2018**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2019 & 2018**

The accompanying unaudited condensed interim financial statements of Stuhini Exploration Ltd. (the “Company”) for the three and six months ended August 31, 2019 and 2018, have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

As at	Note	August 31, 2019 (Unaudited)	February 28, 2019
ASSETS			
Current			
Cash		\$ 536,970	\$ 14,163
GST receivable		9,897	18,326
Prepaid expenses		4,119	21,605
Total current		550,986	54,094
Exploration and evaluation assets	3	423,597	395,064
Reclamation bond	3	42,000	42,000
Property, plant, and equipment	4	1,234	1,536
Total assets		\$ 1,017,817	\$ 492,694
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 55,399	\$ 8,027
Accrued liabilities		3,031	28,132
Due to related parties	6	52,111	73,720
Notes payable to related parties	7	-	111,745
Total liabilities		110,541	221,624
Shareholders' equity			
Share capital	5	1,171,096	460,000
Obligation to issue shares	5	42,000	-
Reserves	5	60,341	37,654
Deficit		(366,161)	(226,584)
Total shareholders' equity		907,276	271,070
Total liabilities and shareholders' equity		\$ 1,017,817	\$ 492,694

Nature and continuance of operations (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on October 28, 2019:

"David O'Brien"
David O'Brien,
Director

"Josef Anthony Fogarassy"
Josef Anthony Fogarassy,
Director

STUHINI EXPLORATION LTD.
STATEMENTS OF NET AND COMPREHENSIVE LOSS
(UNAUDITED)
(Expressed in Canadian Dollars)



		Three months ended August 31,		Six months ended August 31,	
	Note	2019	2018	2019	2018
Expenses:					
Advertising and promotion		\$ 4,167	\$ -	\$ 12,841	\$ 3,907
Amortization	4	197	133	302	133
Consulting fees	6	12,211	-	13,665	-
Office expenses		2,857	823	4,718	1,023
Project investigation costs	3,6	38,539	-	39,249	-
Professional fees	6	12,761	14,356	28,350	21,203
Regulatory fees		13,447	-	17,940	-
Share-based compensation	5,6	13,522	-	15,923	21,097
Travel, meals, and entertainment		577	58	4,646	3,949
Operating expenses		(98,278)	(15,370)	(137,634)	(51,312)
Other items					
Interest expense	7	(219)	-	(1,943)	-
Net and comprehensive loss		\$ (98,497)	\$ (15,370)	\$ (139,577)	\$ (51,312)
Loss per share, basic and diluted					
		\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted					
		10,006,187	5,700,000	8,073,783	5,685,370

STUHINI EXPLORATION LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(Expressed in Canadian Dollars)



	Note	Number of Shares	Share Capital	Obligation to Issue Shares	Reserves	Deficit	Total
Balance, February 28, 2018		5,054,000	\$ 395,400	\$ -	\$ -	\$ (47,271)	\$ 348,129
Private placements		646,000	64,600	-	-	-	64,600
Share-based compensation		-	-	-	21,097	-	21,097
Net and comprehensive loss for the period		-	-	-	-	(51,312)	(51,312)
Balance, August 31, 2018		5,700,000	460,000	-	21,097	(98,583)	382,514
Share-based compensation		-	-	-	16,557	-	16,557
Net and comprehensive loss for the period		-	-	-	-	(128,001)	(128,001)
Balance, February 28, 2019		5,700,000	460,000	-	37,654	(226,584)	271,070
Initial Public Offering	5	4,083,000	816,600	-	-	-	816,600
Share issuance costs	5	-	(164,152)	-	24,412	-	(139,740)
Shares issued on exercise of options	5	410,000	58,648	-	(17,648)	-	41,000
Obligation to issue shares	5	-	-	42,000	-	-	42,000
Share-based compensation	5,6	-	-	-	15,923	-	15,923
Net and comprehensive loss for the period		-	-	-	-	(139,577)	(139,577)
Balance, August 31, 2019		10,193,000	\$ 1,171,096	\$ 42,000	\$60,341	\$ (366,161)	\$ 907,276

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

	Six months ended August 31,	
	2019	2018
Cash flows used in operating activities		
Loss for the period	\$ (139,577)	\$ (51,312)
Items not affecting cash used in operations		
Amortization	302	133
Accrued interest	1,943	-
Share-based compensation	15,923	21,097
Changes in non-cash working capital items		
GST receivable	8,429	(10,300)
Prepaid expenses	17,486	-
Accounts payable	47,372	34,742
Accrued liabilities	(25,101)	(2,222)
Net cash used in operating activities	(73,223)	(7,862)
Cash flows used in investing activities		
Exploration and evaluation assets	(28,533)	(234,549)
Funds paid for security bond	-	(42,000)
Acquisition of property, plant and equipment	-	(1,935)
Net cash used in investing activities	(28,533)	(278,484)
Cash flows provided by financing activities		
Issuance of common shares for cash, net of issuance costs	676,860	64,600
Issuance of common shares on exercise of options	41,000	-
Cash received on subscription to shares	42,000	-
Due to related parties	(21,609)	294
Repayment of related party loans	(113,688)	-
Net cash provided by financing activities	624,563	64,894
Increase/(decrease) in cash	522,807	(221,452)
Cash, beginning	14,163	236,598
Cash, ending	\$ 536,970	\$ 15,146



1. NATURE AND CONTINUANCE OF OPERATIONS

Stuhini Exploration Ltd. (the “Company”), was incorporated under the *Business Corporations Act* (British Columbia) on July 7, 2017. The Company is focused on acquisition, exploration, and development of mineral properties in British Columbia. On May 21, 2019, the Company’s common shares were listed on the TSX Venture Exchange (“TSX-V” or the “Exchange”) under the symbol “STU”.

The Company’s head office and registered office address is 1245 W Broadway, Unit 105, Vancouver, BC V6H 1G7.

These interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

a) Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards (“IFRS”) IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The unaudited condensed interim financial statements, prepared in conformity with accounting policies consistent with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed interim financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the reporting period ended February 28, 2019.

b) Basis of Measurement and Use of Estimates

The unaudited condensed financial statements of the Company have been prepared on an accrual basis and are based on historical costs except for cash flow information. All amounts are expressed in Canadian dollars, the Company’s functional and reporting currency.

The preparation of financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

c) Accounting standards issued but not yet effective

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company’s unaudited condensed interim financial statements. The Company intends to adopt the standards when they become effective. The Company has not yet determined the impact of these standards on its financial statements but does not anticipate that the impact will be significant.



3. EXPLORATION AND EVALUATION ASSETS

Metla Property

On July 7, 2017, the Company entered into a purchase and sale agreement (the "Agreement") with Barry Arthur Hanslit, a co-founder of the Company, whereby the Company issued 883,333 common shares, with a fair value of \$53,000, in exchange for title to the Metla Creek Claims (the "Metla Property"). The Metla Property consists of seven contiguous mineral claims, located south of the town of Atlin, BC.

The Company incurred the following acquisition and deferred exploration costs in association with the Metla Property:

	Six months ended August 31, 2019	Year ended February 28, 2019
Total exploration and evaluation assets, beginning	\$ 395,064	\$ 158,612
Deferred exploration costs:		
Camp and travel	31,568	61,939
Claim maintenance costs	255	-
Equipment use/rental	300	5,785
Exploration tax credit	(13,227)	-
Geology	6,336	168,728
Sub-total, deferred exploration costs	25,232	236,452
Total exploration and evaluation assets, ending	\$ 420,296	\$ 395,064

In connection with the Metla Property, during the year ended February 28, 2019, the Company deposited \$42,000 as a reclamation bond with the BC Ministry of Energy, Mines & Petroleum Resources.

Ruby Creek Property

On July 30, 2019, the Company entered into an option agreement (the "Ruby Creek Agreement") with Global Drilling Solutions Inc. ("Global Drilling"), a private BC Company wholly owned by Barry Hanslit, who at the time of the signing of the Ruby Creek Agreement was an insider of the Company by virtue of his holding of more than 10% of the Company's Common Stock, whereby the Company was granted a right to acquire a 100% interest in Global Drilling's Ruby Creek Property (the "Ruby Creek Property"), located in north western British Columbia, Canada (the "Option"). The Ruby Creek Property is 26,990 hectares in size, is road accessible and is located 20 kilometres from the nearby town of Atlin. The Option is conditional on approval by the disinterested shareholders of Stuhini Exploration Ltd. and by the Exchange (the final approval by both disinterested shareholders and the Exchange being the "Approval Date").

If disinterested shareholder approval and the Exchange approval are received, the Company will have an option to earn a 100% interest in the Ruby Creek Property by issuing up to 7,300,000 common shares and making cash payments of up to \$1,060,000 over a four-year term to exercise the Option. The only committed payment is the issuance of 800,000 shares at the Approval Date. The balance of the share issuances and the cash payments are at the Company's election should it wish to maintain the Option. Upon exercise of the Option, Global Drilling would be entitled to a 1% net smelter returns royalty on the Ruby Creek Property. In the event that the disinterested shareholder approval and the Exchange approval are not received within 120 days of the date of execution of the Ruby Creek Agreement, Global Drilling will be entitled to terminate the Ruby Creek Agreement, in which event the Company will be required to pay Global Drilling a fee of \$60,000.



3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Ruby Creek Property (Continued)

The following table shows the continuity of Option payments:

Date	Shares	Cash Payment
The Approval Date (as defined above)	800,000	\$ -
1 st anniversary of TSX-V Approval	1,250,000	-
2 nd anniversary of TSX-V Approval	1,750,000	120,000
3 rd anniversary of TSX-V Approval	1,750,000	300,000
4 th anniversary of TSX-V Approval	1,750,000	640,000
Total	7,300,000	\$ 1,060,000

At August 31, 2019, disinterested shareholder approval and TSX-V approval were not received, therefore the Company recorded \$24,874 associated with acquisition costs of the Ruby Creek Property as part of project investigation costs.

4. PROPERTY, PLANT AND EQUIPMENT

Continuity of the Company's equipment is as follows:

	Office Equipment		Total
Cost			
Balance, February 28, 2018	\$ -	\$ -	-
Additions		1,935	1,935
Balance, February 28, 2019		1,935	1,935
Additions		-	-
Balance, August 31, 2019	\$ 1,935	\$ 1,935	1,935
Accumulated Amortization			
Balance, February 28, 2018	\$ -	\$ -	-
Additions		399	399
Balance, February 28, 2019		399	399
Additions		302	302
Balance, August 31, 2019	\$ 701	\$ 701	701
As at February 28, 2019	\$ 1,536	\$ 1,536	1,536
As at August 31, 2019	\$ 1,234	\$ 1,234	1,234

5. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.



5. SHARE CAPITAL (CONTINUED)

Share issuances

On May 21, 2019, the Company completed its initial public offering ("IPO") by issuing 4,083,000 common shares at a price of \$0.20 per share for aggregate gross proceeds of \$816,600. The Company paid a cash commission fee of \$46,168 and issued non-transferable compensation options entitling the agent to purchase up to 230,840 shares at \$0.20 per share expiring on May 21, 2021; these compensation options were valued at \$24,412. In addition to the cash and equity commission, the Company paid the Agent a corporate finance fee of \$20,000 and reimbursed the agent \$33,200 for legal and regulatory costs incurred in the course of the IPO. An additional \$40,372 in legal and regulatory fees incurred by the Company and directly associated with the IPO were also recognized as share issuance costs.

The following assumptions were used to estimate the grant date fair value for the compensation options granted:

	May 21, 2019
Expected Life of the Compensation Options	2 years
Risk-Free Interest Rate	1.67%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	100%

During the six-month period ended August 31, 2019, the Company issued a total of 410,000 shares of its common stock upon exercise of options granted to senior officers, directors, and consultants of the Company for total proceeds of \$41,000. These options had an initial fair value of \$17,648.

On August 16, 2019, the Company announced a non-brokered private placement of up to 2,500,000 common shares in the capital of the Company (the "2019 Private Placement"), of which 1,000,000 shares were allocated to a strategic investor at a price of \$0.17 per share with the balance of 1,500,000 shares, offered to all other investors at a price of \$0.20 per share. As at August 31, 2019, the Company received \$42,000 in subscriptions to shares at \$0.20 per share. The 2019 Private Placement was closed subsequent to August 31, 2019 (Note 8).

Stock purchase option compensation plan

The Company has adopted a Rolling Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

On April 15, 2018, the Company granted options to acquire up to 490,000 common shares to its officers and consultants. The options were exercisable for a period expiring on July 15, 2019, at \$0.10 per share. The Company recorded \$21,097 as share-based compensation associated with these options, which was determined using the Black-Scholes option pricing model. On July 2, 2019, the Company issued a total of 80,000 shares of its common stock upon exercise of options to acquire 80,000 shares and on July 15, 2019, a further 330,000 shares were issued on exercise of options to acquire 330,000 shares, for total proceeds of \$41,000. These options had an initial fair value of \$17,648. Remaining options to acquire up to 80,000 shares expired unexercised.

On June 15, 2018, the Company resolved to grant to the officers, directors, and consultants of the Company options to acquire up to 400,000 common shares. The grant of options was contingent upon the successful closing of the IPO of a total of at least 4,000,000 common shares. On June 14, 2019, the Company received approval from the TSX-V to finalize these options; the Company considered the options to acquire up to 380,000 shares of the Company at \$0.20 per share to be granted; options to acquire up to 20,000 shares were forfeited in September of 2018. These options expire on May 21, 2021. During the six-month period ended August 31, 2019, the Company recorded \$2,401 as share-based compensation associated with these options, which was determined using the Black-Scholes option pricing model (Note 6).



5. SHARE CAPITAL (CONTINUED)

Stock purchase option compensation plan (Continued)

The following assumptions were used to estimate the weighted average grant date fair values for the options granted:

	May 21, 2019	February 28, 2019
Expected Life of the Options	2.93 years	1.94 years
Average Risk-Free Interest Rate	1.66%	1.91%
Expected Dividend Yield	Nil	Nil
Average Expected Stock Price Volatility	100%	100%

On August 6, 2019, the Company granted options to acquire up to 600,000 common shares to its officers, directors, and consultants. These options vest quarterly in equal amounts starting on November 6, 2019 over a 12-month period from the date of grant and expire on August 6, 2024. The Company determined the initial fair value of these options to be \$95,368 of which \$13,522 was recorded as share-based compensation during the period ended August 31, 2019. The Company used Black-Scholes option pricing model to determine the weighted average grant date fair values for the options granted (Note 6).

The following assumptions were used:

	August 31, 2019	August 6, 2019
Expected Life of the Options	5 years	5 years
Average Risk-Free Interest Rate	1.18%	1.21%
Expected Dividend Yield	Nil	Nil
Average Expected Stock Price Volatility	100%	100%

A continuity of options for the six-month period ended August 31, 2019, and for the year ended February 28, 2019, is as follows:

	Six Months ended August 31, 2019		Year ended February 28, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	890,000	\$0.14	-	\$ -
Granted	600,000	\$0.20	890,000	\$0.14
Exercised	(410,000)	\$0.10	-	\$ -
Expired	(80,000)	\$0.10	-	\$ -
Forfeited	(20,000)	\$0.20	-	\$ -
Options outstanding, ending	980,000	\$0.20	890,000	\$0.14
Options exercisable, ending	380,000	\$0.20	890,000	\$0.14

The options outstanding and exercisable at August 31, 2019, are as follows:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
380,000	380,000	\$ 0.20	1.72	May 21, 2021
600,000	-	\$ 0.20	4.94	August 6, 2024
980,000	380,000	\$ 0.20	3.69	



6. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and directors (executive and non-executive) of the Company.

The Company incurred the following transactions with related parties, including key management personnel:

	Six months ended August 31,	
	2019	2018
Consulting fees paid or accrued to the Company's CEO	\$ 6,710	\$ -
Accounting fees paid or accrued to the Company's CFO	\$ 3,000	\$ 3,000
Consulting fees paid to the Company's Corporate Secretary	\$ 5,807	\$ -
Project management fees paid or accrued to an entity controlled by the common-law spouse of the Company's co-founder and majority shareholder	\$ 6,710	\$ -
Share-based compensation for options granted to directors and officers (Note 5)	\$ 12,153	\$ 13,129

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company for the professional services or for the expenses incurred on behalf of the Company. These amounts are unsecured, non-interest bearing, and due on demand. At August 31, 2019, the amount payable to related parties was \$52,111 (February 28, 2019 - \$73,720), of which \$24,118 (February 28, 2019 - \$50,669) represented reimbursable expenses.

7. NOTES PAYABLE TO RELATED PARTIES

On September 14, 2018, the Company's CEO advanced the Company \$50,000 under a loan agreement (the "First Bridge Loan"). The First Bridge Loan was unsecured, payable on demand, and accrued interest at 0.5% per month. During the six-month period ended August 31, 2019, the Company recorded \$888 in interest expense associated with the First Bridge Loan. The Company repaid the First Bridge Loan together with interest accrued up to February 28, 2019, on June 12, 2019. Remaining \$888 in interest accumulated on the First Bridge Loan calculated as at June 12, 2019, were repaid subsequent to August 31, 2019. The outstanding interest did not accrue additional interest and was included in the amount payable to related parties.

On January 23, 2019, the Company's Corporate Secretary advanced the Company \$60,000 under a loan agreement (the "Second Bridge Loan"). The Second Bridge Loan was unsecured, payable on demand, and accrued interest at 0.5% per month. During the six-month period ended August 31, 2019, the Company recorded \$1,055 in interest expense associated with the Second Bridge Loan. The Company repaid the Second Bridge Loan together with interest accrued thereon on June 12, 2019.

The table below summarizes the First and the Second Bridge Loans outstanding as at June 12, 2019, prior to repayments:

	Principal Outstanding	Interest Rate	Accrued Interest	Total Book Value
Frist Bridge Loan	\$ 50,000	0.5% per month	\$ 2,279	\$ 52,279
Second Bridge Loan	60,000	0.5% per month	1,409	61,409
Total	\$ 110,000		\$ 3,688	\$ 113,688

STUHINI EXPLORATION LTD.

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED AUGUST 31, 2019 AND 2018
(UNAUDITED)
(Expressed in Canadian Dollars)



8. SUBSEQUENT EVENT

On September 18, 2019, the Company completed its non-brokered private placement (Note 5). The Company issued a total of 2,500,000 common shares for gross proceeds of \$470,000, of which 1,000,000 common shares were issued to the Company's strategic investor at \$0.17 per share, with remaining 1,500,000 common shares issued at \$0.20 per share. Certain directors, officers and other insiders of the Company purchased a total of 250,000 common shares under the 2019 Private Placement. The shares issued under the 2019 Private Placement are subject to a hold period that expires on January 19, 2020. No finders' fees or commissions were paid in connection with the 2019 Private Placement.