AVALON ADVANCED MATERIALS INC.

Consolidated Financial Statements

For the years ended August 31, 2019, 2018 and 2017

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Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR").

The Company's management assessed the effectiveness of the Company's ICFR as at August 31, 2019. The Company's management used the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) framework to evaluate the effectiveness of the Company's ICFR. Based on management's assessment, the Company's internal control over financial reporting is effective as of August 31, 2019.

As at August 31, 2019, the Company is not required under the Exchange Act to obtain an audit on its ICFR under Section 404(b) of Sarbanes-Oxley Act of 2002. Accordingly, the Company's auditor, Ernst and Young LLP, Independent Registered Public Accounting Firm, has not performed an audit on the effectiveness of the Company's ICFR as at August 31, 2019 and has not issued an attestation report on management's assessment of the Company's ICFR.

"Donald S. Bubar"
President and CEO

"R. James Andersen"
CFO and Vice President Finance

Toronto, Ontario
November 29, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Avalon Advanced Materials Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Avalon Advanced Materials Inc. (the "Company") as of August 31, 2019 and 2018 the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended August 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended August 31, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the company has incurred losses in the current and prior years and there exists an uncertainty as to the Company's ability to raise additional funds on favourable terms in order to finance its planned activities and has stated that these conditions indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern. Managements evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2017.

Toronto, Canada
November 29, 2019

Consolidated Statements of Financial Position
(expressed in Canadian Dollars)
As at August 31, 2019 and August 31, 2018

		2019		2018
Assets				
Current Assets				
Cash and cash equivalents (note 5)	$	1,881,841	$	319,057
Other receivables		337,573		168,672
Prepaid expenses and deposits		140,720		137,515
Asset held for sale (note 6)		2,605,147		-
		4,965,281		625,244
Non-Current Assets				
Exploration and evaluation assets (note 7)		17,065,203		16,874,234
Property, plant and equipment (note 8)		101,981,838		104,432,710
		119,047,041		121,306,944
	$	124,012,322	$	121,932,188
Liabilities				
Current Liabilities				
Accounts payable	$	151,318	$	387,451
Accrued liabilities		922,474		408,701
Deferred flow-through share premium (note 9)		47,481		52,157
Deferred asset sale proceeds (note 8a)		3,200,000		-
		4,321,273		848,309
Non-Current Liabilities				
Convertible note payable (note 10)		175,000		-
Convertible redeemable preferred shares (note 11)		958,125		3,354,750
Derivative liabilities (note 12)		27,069		109,821
Site closure and reclamation provisions (note 13)		303,600		303,600
		1,463,794		3,768,171
		5,785,067		4,616,480
Shareholders' Equity				
Share Capital (note 14b)		177,802,700		173,600,797
Reserve for Warrants (note 14c)		4,330,037		4,329,430
Reserve for Share Based Payments (note 14d)		17,225,482		17,130,110
Reserve for Brokers' Compensation Warrants (note 14e)		286,000		286,000
Accumulated Deficit		(81,416,964)		(78,030,629)
		118,227,255		117,315,708
	$	124,012,322	$	121,932,188

The accompanying notes are an integral part of these consolidated financial statements.
Commitments (note 23)

Approved on behalf of the Board

"Donald S. Bubar", Director

"Brian MacEachen", Director

Consolidated Statements of Comprehensive Loss
(expressed in Canadian Dollars, except number of shares)
For the years ended August 31

	2019	2018	2017
Revenue			
Interest	$ 42,819	$ 61,777	$ 28,211
Management fees (note 8a)	10,204	-	-
	53,023	61,777	28,211
Expenses			
Corporate and administrative (note 15)	2,415,003	2,724,759	2,877,792
Impairment loss on exploration and evaluation assets (note 7)	639,034	-	178,118
General exploration	11,861	17,269	23,677
Depreciation (note 8)	20,617	18,538	35,656
Share based compensation (note 14d)	78,844	149,286	183,108
Foreign exchange loss	1,435	2,705	5,137
Financing transaction costs (note 10, 11)	177,503	634,912	601,335
Increase in fair value of convertible redeemable preferred shares (note 11)	376,688	535,500	131,250
Decrease in fair value of derivative liabilities (note 12)	(126,951)	(562,216)	(333,073)
	3,594,034	3,520,753	3,703,000
Net Loss before Income Taxes	(3,541,011)	(3,458,976)	(3,674,789)
Deferred Income Tax Recoveries (note 20)	154,676	218,232	317,468
Net Loss and Total Comprehensive Loss for the year	$ (3,386,335)	$ (3,240,744)	$ (3,357,321)
Loss per Share - Basic and Diluted (note 21)	$ (0.012)	$ (0.015)	$ (0.018)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	275,760,316	215,152,381	187,869,637

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

Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars, except number of shares)
For the years ended August 31

	Share Capital		Reserves				
	Number of Shares	Amount	Warrants	Share Based Payments	Brokers' Compensation Warrants	Accumulated Deficit	Total
Balance at September 1, 2016	179,524,206	$167,181,354	$ 4,313,701	$ 16,700,417	$ 254,112	$ (71,432,564)	$117,017,020
Equity offerings (note 14b)	13,545,454	2,064,182	-	-	-	-	2,064,182
Issue for other considerations (note 7a)	500,000	92,500	-	-	-	-	92,500
Conversion of redeemable preferred shares (note 11)	890,861	110,250	-	-	-	-	110,250
Exercise of warrants (note 14c)	2,275,000	341,250	-	-	-	-	341,250
Reserve transferred on exercise of warrants	-	55,488	(55,488)	-	-	-	-
Compensation warrants issued on equity offerings (note 14b)	-	-	-	-	40,054	-	40,054
Share based compensation (note 14d)	-	-	-	254,994	-	-	254,994
Share issuance costs - cash	-	(211,765)	-	-	-	-	(211,765)
Share issuance costs - compensation warrants issued	-	(40,054)	-	-	-	-	(40,054)
Net loss for the year	-	-	-	-	-	(3,357,321)	(3,357,321)
Balance at August 31, 2017	196,735,521	169,593,205	4,258,213	16,955,411	294,166	(74,789,885)	116,311,110
Equity offerings (note 14b)	17,652,400	1,875,886	77,290	-	-	-	1,953,176
Conversion of redeemable preferred shares (note 11)	22,280,507	2,189,250	-	-	-	-	2,189,250
Exercise of options (note 14c)	50,000	5,500	-	-	-	-	5,500
Reserve transferred on exercise of options	-	2,137	-	(2,137)	-	-	-
Exercise of compensation warrants (note 14e)	300,000	33,000	-	-	-	-	33,000
Reserve transferred on exercise of compensation warrants	-	26,671	-	-	(26,671)	-	-
Compensation warrants issued on equity offerings (note 14b)	-	-	-	-	18,505	-	18,505
Share based compensation (note 14d)	-	-	-	176,836	-	-	176,836
Share issuance costs - cash	-	(107,282)	(5,138)	-	-	-	(112,420)
Share issuance costs - compensation warrants issued	-	(17,570)	(935)	-	-	-	(18,505)
Net loss for the year	-	-	-	-	-	(3,240,744)	(3,240,744)
Balance at August 31, 2018	237,018,428	173,600,797	4,329,430	17,130,110	286,000	(78,030,629)	117,315,708
Equity offerings (note 14b)	15,375,000	918,725	7,525	-	-	-	926,250
Conversion of redeemable preferred shares (note 11)	53,337,055	2,773,313	-	-	-	-	2,773,313
Conversion of note payable (note 10)	7,721,966	425,000	-	-	-	-	425,000
Exercise of warrants (note14c)	1,000,000	120,000	-	-	-	-	120,000
Reserve transferred on exercise of warrants	-	6,657	(6,657)	-	-	-	-
Exercise of options (note 14d)	200,000	20,000	-	-	-	-	20,000
Reserve transferred on exercise of options	-	1,850	-	(1,850)	-	-	-
Share based compensation (note 14d)	-	-	-	97,222	-	-	97,222
Share issuance costs - cash	-	(63,642)	(261)	-	-	-	(63,903)
Net loss for the year	-	-	-	-	-	(3,386,335)	(3,386,335)
Balance at August 31, 2019	314,652,449	$177,802,700	$ 4,330,037	$ 17,225,482	$ 286,000	$ (81,416,964)	$118,227,255

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

Consolidated Statements of Cash Flows
(expressed in Canadian Dollars)
For the years ended August 31

	2019	2018	2017
Operating Activities			
Cash paid to employees	$ (1,159,131)	$ (1,381,833)	$ (1,620,250)
Cash paid to suppliers	(1,165,017)	(1,262,306)	(1,162,240)
Interest received	42,819	61,777	28,211
Cash Used By Operating Activities	(2,281,329)	(2,582,362)	(2,754,279)
Financing Activities			
Net proceeds from equity offerings	955,379	2,025,843	2,159,353
Net proceeds from issuance of preferred shares	-	2,084,792	2,260,153
Net proceeds from issuance of note payable	466,696	-	-
Proceeds from exercise of stock options	20,000	5,500	-
Proceeds from exercise of warrants	120,000	-	341,250
Proceeds from exercise of brokers' compensation warrants	-	33,000	-
Cash Provided by Financing Activities	1,562,075	4,149,135	4,760,756
Investing Activities			
Exploration and evaluation assets	(766,825)	(2,041,084)	(2,160,674)
Property, plant and equipment	(149,702)	(277,501)	(127,579)
Advance payment received on sale of property, plant and equipment (note 8a)	3,200,000	-	-
Cash Provided (Used) by Investing Activities	2,283,473	(2,318,585)	(2,288,253)
Change in Cash and Cash Equivalents	1,564,219	(751,812)	(281,776)
Foreign Exchange Effect on Cash	(1,435)	(2,705)	(5,137)
Cash and Cash Equivalents - beginning of year	319,057	1,073,574	1,360,487
Cash and Cash Equivalents - end of year	$ 1,881,841	$ 319,057	$ 1,073,574

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

Supplemental Cash Flow Information (note 19)

1. Nature of Operations and Going Concern Uncertainty

Avalon Advanced Materials Inc. ("Avalon") is a publicly listed company incorporated in Canada and continued under the *Canada Business Corporations Act*. Avalon's common shares are listed on the Toronto Stock Exchange (the "TSX") (TSX: AVL), on the OTCQB® Venture Market (OTCQB: AVLNF), and the Frankfurt Stock Exchange in Germany.

The registered address, principal address and records office of Avalon is located at 130 Adelaide Street West, Suite 1901, Toronto, Ontario, Canada, M5H 3P5.

Avalon, together with its subsidiaries (collectively, the "Company") is principally engaged in the acquisition, exploration, evaluation and development of specialty metal and mineral properties, located principally in Canada. To date, the Company has not earned any significant revenues.

The realization of amounts shown for its development asset – the Nechalacho Rare Earth Elements Project (the "Nechalacho REE Project") and its exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves (where not already identified), the ability of the Company to obtain the necessary financing to develop these assets, and future profitable production or proceeds of disposition from these assets.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. The Company is in the exploration and development stage and raises funds in the equity markets to conduct its business activities. The Company has incurred losses in the current and prior years, with a net loss of $3,386,335 for the year ended August 31, 2019 and an accumulated deficit of $81,416,964 as at August 31, 2019. The Company's cash and cash equivalents balance at August 31, 2019 was $1,881,841, and the working capital was $644,008. Excluding the deferred flow-through share premium of $47,481, the Company's adjusted working capital as at August 31, 2019 was $691,489 (calculated by adding back the deferred flow-through share premium of $47,481 to the working capital of $644,008).

Given the continuation of weak investor sentiment and capital market conditions in the junior resource sector, there exists an uncertainty as to the Company's ability to raise additional funds on favorable terms. These conditions indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern. As at August 31, 2019, the Company is required to incur additional Canadian exploration expenses ("CEE") of $221,580 by December 31, 2019. The Company's expenditures on other discretionary exploration and development activities have some scope for flexibility in terms of amount and timing, which can be adjusted accordingly. Management intends to finance these expenditures over the next twelve months with funds currently on hand, proceeds from sale of certain assets and through planned equity financings. The Company has entered into an agreement under which an unrelated third party will acquire ownership of the near-surface resources principally in the T-Zone and Tardiff Zones of the Nechalacho REE Project for a total cash consideration of $5.0 million as described in Note 8a. Advance payments totaling $3.2 million had been received by August 31, 2019 and the balance of $1.8 million was received subsequent to August 31, 2019.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

These consolidated financial statements have been reviewed and approved by the Company's Audit Committee and the Board of Directors on November 29, 2019.

2. Basis of Presentation

a) Statement of Compliance and Basis of Presentation

These consolidated financial statements, including comparatives, have been prepared using accounting policies in compliance with IFRS as issued by the IASB.

These consolidated financial statements have been prepared on a going concern basis using the historical cost basis, except for certain financial instruments which are measured at fair value in accordance with the policies disclosed in Note 3.

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 8110131 Canada Inc., Nolava Minerals Inc. (“Nolava”), and Avalon Rare Metals Ltd. (“ARML”). Nolava and ARML are incorporated in the United States of America (“USA”).

ARML has not carried on any significant operations since its inception. During the year ended August 31, 2012, 8110131 Canada Inc. acquired certain net smelter returns (“NSR”) royalty interests in the Company’s properties which were held by third parties. Nolava had held certain mining claims in Utah, USA and had conducted exploration work on those mining claims during fiscal year 2011 to fiscal year 2014. All intercompany transactions and balances have been eliminated on consolidation of the accounts.

3. Summary of Significant Accounting Policies

The principal accounting policies followed by the Company are summarized as follows:

a) Foreign Currency Transactions

Functional and Presentation Currency

Items included in the consolidated financial statements of the Company and each of its subsidiaries (the “Group”) are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company and its subsidiaries is the Canadian dollar (“$”). The consolidated financial statements of the Group are presented in Canadian dollars.

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (i.e. foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the foreign exchange rates prevailing at the end of each reporting period. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in foreign exchange loss (gain) in the consolidated statement of comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in profit or loss as part of the gain or loss on sale. At the present time, the functional currency of the Company and its subsidiaries is the Canadian dollar and hence this does not currently apply to the Company.

b) Share Based Payments

Equity-settled share based payments to employees (including directors and senior executives) and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the share-based payment is measured by reference to the fair value of the equity instrument granted, which in turn is determined using the Black-Scholes option-pricing model on the date of the grant, with management's assumptions for the risk-free rate, dividend yield, volatility factors of the expected market price of the Company's common shares, exercise price, current market price of the underlying equity to be settled with, expected forfeitures and the life of the options.

The fair value of the equity-settled share based payments is recognized over the vesting period in which the service conditions are fulfilled, ending on the date in which the grantee becomes fully entitled to the award, based on the Company's estimate of equity instruments that will eventually vest, and is either expensed or capitalized to exploration and evaluation assets or property, plant and equipment, with a corresponding increase in equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

c) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

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.

d) Income Taxes

Current Income Taxes

Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Summary of Significant Accounting Policies (continued)

Deferred Income Taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the asset and liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset and liabilities are measured as of the date of the consolidated statement of financial position using the enacted or substantively enacted tax rates that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the consolidated statements of comprehensive loss, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

e) Flow-through Shares

The Company has, from time to time, issued flow-through shares to finance a portion of its exploration and development programs. Pursuant to the terms of the related flow-through share agreements, the Company has agreed to incur eligible flow-through expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers.

The excess of cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing ("Flow-through Share Premium") is recorded in the consolidated statement of financial position as a deferred flow-through share premium liability when the flow-through shares are issued. When a unit comprised of a flow-through share with an attached share purchase warrant is issued, the Company has adopted the fair value approach with respect to the measurement of the three components (share, warrant and Flow-through Share Premium) of such unit and use the relative fair value method to allocate the proceeds to each of the three components of the unit.

The Company recognizes a proportion of the Flow-through Share Premium through the consolidated statement of comprehensive loss as a reduction of deferred income tax expense with a corresponding reduction to the deferred flow-through share premium liability as the eligible flow-through expenditures are incurred.

3. Summary of Significant Accounting Policies (continued)

f) *Loss per Share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

g) *Other Comprehensive Income (Loss)*

Other Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances that are not related to the Company's shares and that are not included in net profit or loss. Such items include unrealized gains or losses on available-for-sale investments, gains or losses on certain hedging derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss) and components of other comprehensive income are presented in the consolidated statements of comprehensive loss and the consolidated statements of changes in equity.

h) *Cash and Cash Equivalents*

Cash and cash equivalents include bank deposits and highly liquid short-term money market investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, such as bankers' acceptance notes, treasury bills and guaranteed investment certificates ("GICs").

i) *Exploration and Evaluation Assets*

These assets relate to mineral rights acquired and exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and evaluation stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition, surveying, geological, geochemical, geophysical, exploratory drilling, land maintenance, sampling, and assessing technical feasibility and commercial viability. These expenditures are capitalized as exploration and evaluation assets until the technical feasibility and commercial viability of extracting the mineral resource of a project are demonstrable. During the exploration period, exploration and evaluation assets are not amortized.

Exploration and evaluation assets are allocated to cash generating units ("CGUs") for the purpose of assessing such assets for impairment and each project is identified as a separate CGU. At each financial statement reporting date, the Company assesses whether there is any indication of impairment. Indicators of impairment include, but are not limited to:

i) The right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

ii) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

iii) Exploration for and evaluation of mineral resources in the specific area have not led to the commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

3. Summary of Significant Accounting Policies (continued)

iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where indicators of impairment exist, an impairment test is performed to determine if the carrying amount of a specfic project exceeds its estimated recoverable amount. The estimated recoverable amount is the greater of fair value less costs of disposal, and value in use (which is discounted expected future cash flows). If the estimated recoverable amount of the project is less than its carrying amount, the carrying amount of the project is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

Once the technical feasibility and commercial viability of extracting a mineral resource of a project are demonstrable, the relevant exploration and evaluation asset is assessed for impairment, and any impairment loss is recognized, prior to the balance being reclassified as a development asset in property, plant and equipment.

The determination of the demonstration of technical feasibility and commercial viability is subject to a significant degree of judgment and assessment of all relevant factors. In general, technical feasibility may be demonstrable once a positive feasibility study is completed. When determining the commercial viability of a project, in addition to the receipt of a feasibility study, the Company also considers factors such as the existence of markets and/or long term contracts for the product, and the ability to obtain the relevant operating permits.

All subsequent expenditures to ready the property for production are capitalized within development assets, other than those costs related to the construction of property, plant and equipment. Development assets are not depreciated until construction is complete and the assets are available for their intended use.

Once production has commenced, all costs included in development assets are reclassified to mining properties.

Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore the property are recorded as an expense in the period in which they are incurred.

j) Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less any accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided over the estimated useful lives of the Company's assets on the following basis and rates per annum:

Airstrip	-	8% on a declining balance basis
Building	-	straight line basis over its estimated useful life
Computer and office equipment	-	25% to 33 1/3% on a declining balance basis
Exploration equipment	-	30% on a declining balance basis
Leasehold improvements	-	straight line basis over the shorter of the term of the lease and useful life

3. Summary of Significant Accounting Policies (continued)

An item of PPE is derecognized upon disposal, when classified as as held for sale (when assets' carrying amounts will be recovered principally through a sale transaction rather than through continuing use), or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized immediately in the consolidated statement of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from this assessment are applied by the Company prospectively as a change in estimate.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

k) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives at the CGU level to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant CGU is estimated in order to determine the extent of the impairment loss, if any. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company's CGUs are typically its significant individual exploration and evaluation assets, development projects or mines. In certain circumstances, when the recoverable amount of an individual asset can be determined, impairment assessment is performed at the individual asset level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount, and an impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, the Company assesses whether there is any indication that impairment losses that were recognized in prior periods may no longer exist or have decreased. If such an indication exists, the estimated recoverable amount of the asset (or CGU) is revised and the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l) Financial Instruments

On September 1, 2018, the Company adopted IFRS 9, "Financial Instruments" ("IFRS 9") which replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The retrospective adoption of IFRS 9 had no material impact to the Company's consolidated financial statements.

3. Summary of Significant Accounting Policies (continued)

Classification and Measurement

Under IFRS 9, financial assets are initially classified and subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss "FVTPL". A financial asset is measured at either amortized cost or FVTPL based on the business model in which the financial asset is managed and its contractual cash flow characteristics, unless the financial asset is required or designated to be classified and measured at FVTPL or FVOCI. On initial recognition of an equity instrument investment, the Company may irrevocably elect to measure the investment at FVOCI on an investment-by-investment basis, where the changes in the fair value of equity instruments are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (which generally include derivative liabilities or other financial liabilities which are held for trading), or the Company has irrevocably designated them at FVTPL on initial recognition.

Financial assets and financial liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability, and are subsequently carried at amortized cost using the effective interest rate method, less any impairment. The changes in the fair value that are attributable to changes in the Company's own credit risk of financial liabilities elected at FVTPL are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

Financial assets and financial liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the statement profit or loss, and are subsequently measured at fair value. Any realized and unrealized gains and losses arising from the changes in fair value are included in the statement of profit or loss in the period in which they arise.

Financial assets at FVOCI are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, and are subsequently carried at fair value, with any unrealized gains and losses arising from the changes in fair value being included in other comprehensive income or loss. When debt financial assets are derecognized, the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss. The changes in the fair value of equity instrument investments elected at FVOCI are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

The following table shows the original categories under IAS 39 and the new categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	Classification and Measurement Category	
Financial Instrument	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables at amortized cost	Amortized cost
Other receivables	Loans and receivables at amortized cost	Amortized cost
Accounts payable	Other financial liabilities at amortized cost	Amortized cost
Accrued liabilities	Other financial liabilities at amortized cost	Amortized cost
Convertible note payable	FVTPL	FVTPL
Convertible redeemable preferred shares	FVTPL	FVTPL
Derivative liabilities	FVTPL	FVTPL

3. Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets

IFRS replaces the "incurred loss" model in IAS 39 with a single forwar-looking expected credit loss ("ECL") impairment model, which is based on changes in credit quality since initial recognition. The new impairment model is applied, at each reporting date, to financial assets measured at amortized costs or those measured at FVOCI (except for equity instrument investments). Any impairment losses recognized are charged to profit or loss, with the offsetting credit reducing the carrying amount of the financial assets that are measure at amortized cost. For financial assets measured at FVOCI, the impairment loss will be credited to other comprehensive income or loss.

There were no adjustments to the carrying amounts of the Company's financial instruments on the date of transition as a result of the transition from IAS 39 to IFRS 9.

m) Site Closure and Reclamation Provision

The Company's mining exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations.

Provision for site closure costs is recorded at the time an environmental disturbance occurs, and is measured at the Company's best estimate of the expected value of future cash flows required to reclaim the disturbance upon site closure, discounted to their net present value. The net present value is determined using a pre-tax discount rate that is specific to the liability. The estimated net present value is re-measured at the end of each reporting period, or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the provision arise due to changes in legal, constructive or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period in which the change is identified and quantifiable.

Upon initial recognition of site closure provision there is a corresponding increase to the carrying amounts of related assets and the cost is amortized as an expense on a units-of-production basis over the life of the related assets. The value of the provision is progressively increased over the life of the operation as the effect of discounting unwinds and such increase is recognized as an interest expense.

n) Other Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the provision. The increase in the provision due to the passage of time is recognized as an interest expense.

o) Related Party Disclosure

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at fair value.

3. Summary of Significant Accounting Policies (continued)

p) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. In determining the Company's segment structure, consideration is given to the similar operational and political risks to which the Company's current operations within the same business and regulatory environment are exposed.

The Company's current operations comprise a single reporting operating segment engaged in the acquisition, exploration, evaluation and development of rare metal and mineral properties located principally in Canada.

q) Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and the related notes thereto. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an on-going basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following significant areas where critical accounting judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

Key Sources of Estimation Uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the financial results or the financial positions reported in future periods are included in the following notes:

Recoverability of Exploration and Evaluation Assets, Development Assets and Property, Plant and Equipment

The Company assesses its long-lived assets, specifically all exploration and evaluation assets, development assets and PPE at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, foreign exchange rates, future capital requirements, exploration potential and operating performance.

Determination of Reserve and Resource Estimates

Mineral reserves and resources are estimates of the amount of ore that can be economically and legally extracted from the Company's exploration and development properties. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, production costs, production techniques, future capital requirements and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, development assets, PPE, site closure and reclamation provision and amortization expense.

3. Summary of Significant Accounting Policies (continued)

Fair Value of Share Based Payments and Warrants

The Company follows IFRS 2, *Share-based Payment,* in determining the fair value of share based payments. This calculated amount is not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Site Closure and Reclamation Provision

The Company's accounting policy for the recognition of a site closure and reclamation obligation requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing thereof, extent and costs of required closure and rehabilitation activity, and discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. Site closure and reclamation provision recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognized in the Statement of Financial Position by adjusting both the site closure and reclamation asset and provision.

Property, Plant and Equipment - Estimated Useful Lives

Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

Critical Judgments

Information about critical judgments in applying accounting policies that have most significant effect on the consolidated financial statements are as follows:

Capitalization of Exploration and Evaluation Costs

Exploration and evaluation costs incurred during the year are recorded at cost. Capitalized costs include costs directly attributable to exploration and evaluation activities, including salaries and benefits of employees who are directly engaged in the exploration and evaluation activities. Administrative and other overhead costs are expensed. Exploration and evaluation costs incurred that have been determined to have future economic benefits and can be economically recoverable are capitalized. In making this judgment, management assesses various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

3. Summary of Significant Accounting Policies (continued)

r) New Accounting Standards Recently Adopted

IFRS 9, Financial Instruments

As described in 3(l) above, the Company adopted IFRS 9 effective September 1, 2018 on a retrospective basis. The adoption of IFRS 9 had no material impact to the Company's consolidated financial statements and there were no adjustments to the carrying amounts of the Company's financial instruments on the date of transition as a result of the transition from IAS 39 to IFRS 9.

IFRS 15, Revenue from Contracts and Customers

On September 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts and Customers* ("IFRS 15"). IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue and establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company currently does not have any operating revenue and therefore, the adoption of this new standard does not have any impact on the Company's consolidated financial statements.

4. Recent Accounting Pronouncements

The following pronouncement is issued but not yet effective:

a) IFRS 16, Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016, and will replace IAS 17 Leases ("IAS 17"). IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases with low value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. A lessee will apply IFRS 16 to its leases either retrospectively to each prior reporting period presented; or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application.

The Company will adopt this standard effective September 1, 2019. Under this standard, the present value of lease commitments will be shown as a liability on the balance sheet together with an asset representing the right of use, including those leases classified as operating leases under the current standard IAS 17. This implies higher amounts of depreciation expense on the right of use assets and interest expense on lease liabilities will be recorded in the Company's statement of comprehensive loss in fiscal 2020 and future years. Additionally, a corresponding reduction in corporate and administrative expenses is expected from the elimination of lease expense.

The Company is in the process of completing its review and analysis of IFRS 16 and will apply IFRS 16 from the adoption date of September 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets and lease liabilities will be measured at the amount of the lease liability on adoption. Based on the information currently available, the Company estimates that it will recognize a lease liability and a right of use asset of approximately $1,019,000 relating to the lease of its office premises as at September 1, 2019.

5. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	August 31, 2019	August 31, 2018
Cash held in bank accounts	$ 748,636	$ 164,717
Guaranteed investment certificates	1,133,205	154,340
	$ 1,881,841	$ 319,057

6. Asset Held for Sale

During the year ended August 31, 2019, the Company entered into an agreement, under which an unrelated third party will acquire ownership of the near-surface mineral resources principally in the T-Zone and Tardiff Zones of the Nechalacho REE Project above a depth of 150 meters above sea level for a total cash consideration of $5.0 million as described in Note 8a while the Company will retain ownership of the the deeper resources in the Basal Zone that were the subject of its 2013 feasibility study. The sale is expected to be completed subsequent to the year ended August 31, 2019. Accordingly, the Company has transferred the carrying cost relating to the near-surface mineral resources of $2,605,147 from the total carrying cost of the Nechalacho REE Project included Property, Plant and Equipment to Asset Held for Sale.

7. Exploration and Evaluation Assets

	September 1, 2017	Expenditures	Impairment Loss	August 31, 2018
Separation Rapids Lithium Project (a)	$ 9,523,610	$ 1,487,340	$ -	$ 11,010,950
East Kemptville Tin-Indium Project (b)	5,322,422	505,102	-	5,827,524
Other (d)	15,000	20,760	-	35,760
	$ 14,861,032	$ 2,013,202	$ -	$ 16,874,234

	September 1, 2018	Expenditures	Impairment Loss	August 31, 2019
Separation Rapids Lithium Project (a)	$ 11,010,950	$ 511,188	$ -	$ 11,522,138
East Kemptville Tin-Indium Project (b)	5,827,524	315,087	(639,034)	5,503,577
Other (d)	35,760	3,728	-	39,488
	$ 16,874,234	$ 830,003	$ (639,034)	$ 17,065,203

7. Exploration and Evaluation Assets (continued)

a) Separation Rapids Lithium Project, Ontario

The Company owns a 100% interest in certain mineral claims and a mining lease in the Kenora area of Ontario. During the year ended August 31, 2017, the Company acquired a 100% interest in seven mineral claims located adjacent to the north and west of the Company's existing Separation Rapids property and issued 500,000 common shares at the fair value of $0.185 per share.

b) East Kemptville Tin-Indium Project, Nova Scotia

The Company holds a special exploration licence to search and prospect for all minerals except for coal, salt, potash and uranium within four claims in the East Kemptville area of Yarmouth, Nova Scotia.

The current special licence has a term of three years beginning February 2, 2015 and is renewable for an additional two one-year periods. The Special Licence was renewed during the year ended August 31, 2018 and the Company continues the process toward applying for a mining lease to replace the Special Licence and secure full surface tenure.

The Company also had a number of regular exploration licences covering certain claims in the same proximity to the claims covered under the special exploration licence. During the Year, the Company decided not to renew these peripheral exploration licences, and accordingly the costs incurred to-date of $639,034 on the mineral claims under the exploration licences had been written off as an impairment loss during the Year.

c) Warren Township Anorthosite Project, Ontario

The Company owns a 100% interest in certain claims located near Foleyet, Ontario, which were staked by the Company during the year ended August 31, 2003. During the year ended August 31, 2013, the Company entered into a Mining Lease with the Province of Ontario under the Mining Act of Ontario covering these claims.

No substantial work has been carried out on the Warren Township project during the last five years and no work was planned or budgeted for fiscal 2020. In addition, no new potential customer has been identified for the project's calcium feldspar product although there has been new demand reported for the calcium feldspar product by other emerging producers. The current outlook as at August 31, 2019 for the Warren Township project remains unchanged. It is management's view that the fair value of this project has been significantly impaired and has estimated the recoverable amount of this project as at August 31, 2019 to be $nil.

d) Other Resource Properties

The Company has a 100% interest in several claims in the Lilypad Lakes Tantalum Property, a 2.0% NSR interest in certain claims of the East Cedartree Gold Property located near Kenora, Ontario, and a 2.4% NSR interest in the Wolf Mountain Platinum-Palladium Project.

During the year ended August 31, 2017 ("Fiscal 2017"), the Company abandoned its interest in certain mineral claims located in New Brunswick, and, accordingly, the total costs incurred to August 31, 2017 of $175,038 had been written off as an impairment loss during Fiscal 2017.

8. Property, Plant and Equipment

	Nechalacho REE Project (a)	Airstrip	Computer and Office Equipment	Land and Building	Exploration Equipment	Leasehold Improvements	Total
Cost							
As at September 1, 2017	$ 103,618,668	$ 646,860	$ 218,090	$ 74,455	$ 683,859	$ 94,594	$ 105,336,526
Additions	259,681	-	1,958	16,450	11,673	-	289,762
Disposals	-	-	-	-	-	-	-
As at August 31, 2018	103,878,349	646,860	220,048	90,905	695,532	94,594	105,626,288
Additions	201,097	-	-	-	-	7,020	208,117
Transfer to asset held for sale	(2,605,147)	-	-	-	-	-	(2,605,147)
Disposals	-	-	(18,911)	-	-	-	(18,911)
As at August 31, 2019	$ 101,474,299	$ 646,860	$ 201,137	$ 90,905	$ 695,532	$ 101,614	$ 103,210,347
Accumulated Depreciation							
As at September 1, 2017	$ -	$ 243,029	$ 161,448	$ 6,983	$ 622,606	$ 94,594	$ 1,128,660
Depreciation expense	-	22,417	18,538	3,384	20,579	-	64,918
Disposals	-	-	-	-	-	-	-
As at August 31, 2018	-	265,446	179,986	10,367	643,185	94,594	1,193,578
Depreciation expense	-	20,624	12,714	4,191	15,705	108	53,342
Disposals	-	-	(18,411)	-	-	-	(18,411)
As at August 31, 2019	$ -	$ 286,070	$ 174,289	$ 14,558	$ 658,890	$ 94,702	$ 1,228,509
Net Book Value							
As at August 31, 2018	$ 103,878,349	$ 381,414	$ 40,062	$ 80,538	$ 52,347	$ -	$ 104,432,710
As at August 31, 2019	$ 101,474,299	$ 360,790	$ 26,848	$ 76,347	$ 36,642	$ 6,912	$ 101,981,838

8. Property, Plant and Equipment (continued)

a) Nechalacho REE Project, Northwest Territories

The Company owns a 100% interest in eight mining leases covering the Nechalacho rare earth elements deposit ("Nechalacho Deposit") located at Thor Lake in the Mackenzie Mining District of the Northwest Territories.

The property is subject to an underlying 2.5% net smelter returns ("NSR") royalty agreement which can be bought back at the principal amount of $150,000 compounded annually at the average Canadian prime rate from May 2, 1982 to the buyback date, and which currently approximates $1.6 million (the "2.5% NSR Royalty").

During the year ended August 31, 2012, the Company entered into an accommodation agreement (the "Accommodation Agreement") with the Deninu K'ue First Nation ("DKFN"). The DKFN is one of three Akaitcho bands who have used, occupied and have constitutionally protected aboriginal rights with respect to the lands on which the Nechalacho Deposit in the Northwest Territories is located.

The Accommodation Agreement provides for business and employment opportunities for the DKFN related to the Nechalacho Deposit and associated facilities in the Northwest Territories and contains measures to mitigate environmental and cultural impacts that may result from the project development. The Accommodation Agreement also commits the DKFN to supporting timely completion of the environmental assessment, permitting and development processes of the Nechalacho REE Project, and provides for the DKFN to participate in the project economics.

During the year ended August 31, 2019, the Company and an unrelated third party entered into an agreement under which this third party will acquire ownership of the near-surface resources principally in the T-Zone and Tardiff Zones of the property for a total cash consideration of $5.0 million while the Company will retain ownership of the mineral resources below a depth of 150 meters above sea level, a 3.0% NSR royalty (the "3.0% NSR Royalty") and will continue to have access to the property for exploration, development and mining purposes. Avalon has also agreed to waive the 3.0% NSR Royalty for the first five years of commercial production and to grant the third party the option to pay the Company $2 million within eight years of the transaction closing to extend the waiver of this royalty in perpetuity.

This agreement also grants the third party an option to purchase the Company's option in the 2.5% NSR Royalty for an inflation adjusted fixed amount estimated at $1.5 million as at the agreement date, provided that, upon exercising the option, it extinguishes this royalty.

The sale is expected to be completed subsequent to the year ended August 31, 2019. Accordingly, the Company has transferred the carrying cost relating to the near-surface mineral resources of $2,605,147 from the total carrying cost of the Nechalacho REE Project included in Property, Plant and Equipment to Asset Held for Sale. Advance payments totaling $3.2 million had been received by August 31, 2019 and was recorded as Deferred Asset Sale Proceed on the Statements of Financial Position. The balance of $1.8 million was received subsequent to August 31, 2019.

During the year ended August 31, 2019, the Company generated net management fees of $10,204 for services provided to the third party to manage its exploration activities on the property.

9. Deferred Flow-Through Share Premium

A summary of the changes in the deferred flow-through share premium amount is set out below:

Balance – September 1, 2017	$	49,467
Increase relating to flow-through common shares issued (note 14b)		220,922
Decrease relating to CEE incurred		(218,232)
Balance – August 31, 2018		52,157
Increase relating to flow-through common shares issued (note 14b)		150,000
Decrease relating to CEE incurred		(154,676)
Balance – August 31, 2019	$	47,481

10. Convertible Note Payable

On November 30, 2018, the Company issued a convertible note payable in the amount of $500,000 to an entity managed by the Lind Partners (“Lind”) (the “Note”). The Note has a term of two years with a maturity date of November 30, 2020 and accrued an interest amount of $100,000 on the date of issuance, resulting in the Note to bear a face value of $600,000 at issuance.

Lind is entitled to convert any outstanding amount of the face value of the Note into common shares commencing on May 26, 2019 at a conversion price equal to the higher of (a) 80% of the five day trailing value weighted average price (“VWAP”) of the common shares prior to the date of conversion, and (b) the five day trailing VWAP of the shares prior to the date of conversion, less the maximum discount allowable in accordance with TSX rules (the “Conversion Feature”). The Company has floor price protection such that if any conversion results in an effective conversion price of less than $0.05 per share, then the Company has the right to instead repay the amount that was subject to that conversion for a 5% premium. The Company also has the right to repurchase the Note at the outstanding face value at any time (the “Buyback Option”).

In conjunction with the issuance of the Note, Lind received a commitment fee of $15,000 and 4,575,000 common share purchase warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.07 per common share until November 30, 2021.

The Note is a hybrid instrument that contains multiple embedded derivatives including the Conversion Feature and Buyback Option.

The economic characteristics and risks of the Conversion Feature are different from that of the host contract (the “Note”) in that it allows Lind to convert the Note (a debt instrument) into the Company’s common shares (an equity instrument) at a price per share equal to the higher of (a) 80% of the five day trailing VWAP of the shares prior to the date of conversion, and (b) the five day trailing VWAP of the shares prior to the date of conversion, less the maximum discount allowable in accordance with TSX rules, thus the Conversion Option can be measured separately from the Note. In addition, the number of common shares to be issued upon conversion is variable and does not meet the “a fixed amount of cash for a fixed number of equity instruments” requirement to be classified as an equity instrument. As such, the Company had designated the entire hybrid contract (the Note and all of the embedded derivatives) as a financial liability at FVTPL and are re-measured at each financial statement reporting date, with the resulting change in value being recorded as increase or decrease in fair value of convertible note payable in the consolidated statement of comprehensive loss.

As the Company has the Buyback Option to repurchase the Note at the outstanding face value, the total fair value of the Note is therefore equal the face value, and is $600,000 at issuance.

10. Convertible Note Payable (continued)

The exercise price of the warrant is subject to adjustment from time to time in the event of certain common share rights offering, such that the exercise of the warrants do not result in a fixed number of common shares being issued for a fixed amount of cash. As a result, the warrants had been classified as a financial liability at FVTPL and re-measured at each financial statement reporting date using the Black-Scholes pricing model, with the resulting change in value being recorded as increase or decrease in fair value of derivative liabilities in the consolidated statement of comprehensive loss.

The fair value of the warrants was estimated at $44,199 at issuance, and this amount was allocated to the warrant component of this private placement. The fair value of the warrants was estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 2.18%; expected life of 3.0 years; and expected volatility of 35%.

The fair values of the Note and the warrants at issuance totaled $644,199 and the excess of this amount over the gross proceeds ($500,000) of $144,199 had been recorded as a financing transaction cost in the Statement of Comprehensive Loss.

A summary of the changes in the convertible note payable amount is set out below:

Balance – August 31, 2017 and 2018	$ -
Issued	500,000
Interest	100,000
Converted to common shares	(425,000)
Balalnce – August 31, 2019	$ 175,000

The number of common shares to be issued would be 4,861,111 if the entire Note had been converted into common shares based on the closing price of the Company’s common shares on the TSX of $0.045 on August 31, 2019.

11. Convertible Redeemable Preferred Shares

In March 2017, the Company entered into a preferred share purchase agreement (the “A1 Agreement”) with an entity managed by Lind and issued 500 Series A1 Preferred Shares (the “A1 Preferred Shares”) at a price of $5,000 per share for gross proceeds of $2,500,000. Pursuant to Canadian securities laws, the securities issuable under this private placement were subject to a hold period, which expired on July 11, 2017 (the “Hold Period”).

The A1 Preferred Shares did not carry a dividend and had a redemption value that started at $5,000 per share and increases by $250 per share each quarter over a 24 months period ending on March 10, 2019, to a cap of $6,750 per share. The A1 Preferred Shares could be converted by Lind into common shares of the Company at a price per common share equal to 85% of the five-day volume weighted average price (“VWAP”) of the common shares on the TSX immediately prior to the date that notice of conversion was given (the “Conversion Option”).

In conjunction with this private placement, Lind received a commitment fee of $125,000 and 6,900,000 common share purchase warrants (the “A1 Warrants”). Each A1 Warrant entitles the holder to purchase one common share of the Company at a price of $0.23 per common share until March 10, 2022.

Lind had the basic right to convert 25 A1 Preferred Shares into common shares of the Company on a monthly basis, subject to certain conversion limits set out in the A1 Agreement, however Lind was permitted to convert up to 100 A1 Preferred Shares on a monthly basis in the event such amount did not exceed 20% of the Company's 20-day traded volume of common shares on the TSX immediately prior to the date of delivery of a conversion notice.

11. Convertible Redeemable Preferred Shares (continued)

Lind was also entitled to accelerate its conversion right to the full amount of the redemption value applicable at such time, or demand repayment of the applicable redemption value per share in cash (the “Put Option”), upon the occurrence of certain events as set out in the A1 Agreement (most of which are beyond the Company’s control) (the “Redemption Events”). The triggering Redemption Events include certain key financial and non-financial conditions, which included change of control, insolvency and liquidity conditions etc. as defined in the A1 Agreement. These Redemption Events also limited the Company from obtaining other debt or preferred share financings that were not junior to the A1 Preferred Shares other than certain project-related financings, as well as other at-the-market, equity lines or credit type of common share offerings, or convertible security financings where the price of the common share was not fixed at predetermined price. In addition, if the Redemption Event was a change of control event, the redemption amount would be equal to 110% of the applicable redemption amount at that time.

The Company had the right to redeem all of the outstanding A1 Preferred Shares at any time after the Hold Period at a 5% premium to the redemption value (the “Call Option”). The Company also had floor price protection such that if any conversion results in an effective conversion price of less than $0.10 per common share, then the Company had the right to deny the conversion and instead redeem the A1 Preferred Shares that were subject to that conversion for the redemption amount in cash plus a 5% premium.

At any time while any A1 Preferred Shares are outstanding, Lind had the option of subscribing for up to an additional 165 Series A2 Preferred Shares at a price of $5,000 per share and under the same terms and conditions as the initial financing, subject to certain triggering events and subject to the prior approval of the TSX (“Series A2 Option”). Lind would also receive a certain number of Series A2 warrants (“A2 Warrants”) when it exercised the Series A2 Option. The number of A2 Warrants to be issued and the exercise price of A2 Warrants would be calculated by using similar formulas used in determining the number and the exercise price of the A1 Warrants.

The A1 Preferred Share was a hybrid instrument that contains multiple embedded derivatives: the Conversion Option, Put Option and Call Option.

The economic characteristics and risks of the Conversion Option were different from that of the host contract (the A1 Preferred Share) in that it allowed Lind to convert the A1 Preferred Shares (a debt instrument) into the Company’s common shares (an equity instrument) at a price per common share equal to 85% of the five day VWAP of the common share, thus the Conversion Option could be measured separately from the A1 Preferred Share. In addition, the number of common shares to be issued upon conversion was variable and did not meet the “a fixed amount of cash for a fixed number of equity instruments” requirement to be classified as an equity instrument. As such, the Company had designated the entire hybrid contract (the A1 Preferred Share and all of the embedded derivatives) as a financial liability at FVTPL and were re-measured at each financial statement reporting date, with the resulting change in value being recorded as increase or decrease in fair value of convertible redeemable preferred shares in the consolidated statement of comprehensive loss.

As the Company had the Call Option to redeem all of the outstanding A1 Preferred Shares at a 5% premium to the redemption value, the total fair value of the A1 Preferred Shares at issuance was therefore $2,625,000.

The exercise price of the A1 Warrant is subject to adjustment from time to time in the event of certain common share rights offering, such that the exercise of the A1 Warrants do not result in a fixed number of common shares being issued for a fixed amount of cash. As a result, The A1 Warrant had been classified as a financial liability at FVTPL and re-measured at each financial statement reporting date using the Black-Scholes pricing model, with the resulting change in value being recorded as increase or decrease in fair value of derivative liabilities in the consolidated statement of comprehensive loss.

The fair value of the A1 Warrants was estimated at $236,488 (or $0.0343 for each warrant) at issuance, and this amount was allocated to the warrant component of this private placement. The fair value of the A1 Warrant was estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.10%; expected life of 4.0 years; and expected volatility of 35%.

11. Convertible Redeemable Preferred Shares (continued)

In December 2017, the Company entered into a preferred share purchase agreement (the "B1 Agreement") with Lind and issued 300 Series B1 Preferred Shares (the "B1 Preferred Shares") at a price of $5,000 per share for gross proceeds of $1,500,000 in January 2018. Pursuant to Canadian securities laws, the securities issuable under this private placement were subject to a hold period, which expired on May 16, 2018 (the "B1 Hold Period").

In conjunction with this private placement, Lind received a commitment fee of $75,000 and 6,250,000 common share purchase warrants (the "B1 Warrants"). Each B1 Warrant entitles the holder to purchase one common share of the Company at a price of $0.15 per common share until January 15, 2023. Other than the exercise price and expiry date, the B1 Warrants bear the similar terms and conditions as the A1 Warrants.

The B1 Agreement is subject to essentially the same terms and conditions as the A1 Agreement and the B1 Preferred Shares bear the same essential features of the A1 Preferred Shares including the rate and amount of the increase in the redemption value, the conversion option, put option and call option etc.

After the B1 Hold Period, Lind has the basic right to convert 15 B1 Preferred Shares into common shares of the Company on a monthly basis, subject to certain conversion limits set out in the B1 Agreement, however Lind is permitted to convert up to 60 B1 Preferred Shares on a monthly basis in the event such amount does not exceed 20% of the Company's 20-day traded volume of common shares on the TSX immediately prior to the date of delivery of a conversion notice.

At any time while any B1 Preferred Shares are outstanding, Lind has the option of subscribing for up to an additional 100 Series B2 Preferred Shares at a price of $5,000 per share and under the same terms and conditions as the initial B1 financing, subject to certain triggering events and subject to the prior approval of the TSX ("Series B2 Option"). Lind will also receive a certain number of Series B2 warrants ("B2 Warrants") when it exercises the Series B2 Option. The number of B2 Warrants to be issued and the exercise price of the B2 Warrants will be calculated by using similar formulas used in determining the number and the exercise price of the B1 Warrants.

As the B1 Preferred Shares bear the same essential features as the A1 Preferred Shares, the Company had designated the entire hybrid contract (the B1 Preferred Share and all of the embedded derivatives) as a financial liability at FVTPL and re-measured at each financial statement reporting date.

As the Company has the Call Option to redeem all of the outstanding B1 Preferred Shares at any time after the B1 Hold Period at a 5% premium to the redemption value, the total fair value of the B1 Preferred Shares at issuance is therefore $1,575,000.

Similar to the A1 Warrants, the exercise price of the B1 Warrants is subject to adjustment from time to time in the event of certain common share rights offering, as such, the B1 Warrants had been classified as a financial liability at FVTPL and re-measured at each financial statement reporting date using the Black-Scholes pricing model.

The fair value of the B1 Warrants was estimated at $283,525 (or $0.0454 for each warrant) at issuance, and this amount was allocated to the warrant component of this private placement. The fair value of the B1 Warrant was estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.94%; expected life of 4.0 years; and expected volatility of 35%.

In connection with this private placement, the Company also incurred other issuance costs of $34,040. Cash issuance costs incurred relating to this private placement totaled $109,040 and had been recorded in the Statement of Comprehensive Loss as financing transaction costs.

The fair values of the B1 Preferred Shares and the B1 warrants at issuance totaled $1,858,525 and the excess of this amount over the gross proceeds ($1,500,000) of $358,525 had been recorded as a financing transaction cost in the Statement of Comprehensive Loss.

11. Convertible Redeemable Preferred Shares (continued)

In June 2018, the Company entered into a preferred share purchase agreement (the "C1 Agreement") and issued 150 Series C1 Preferred Shares (the "C1 Preferred Shares") at a price of $5,000 per share for gross proceeds of $750,000. Pursuant to Canadian securities laws, the securities issuable under this private placement were subject to a hold period, which expired on October 30, 2018 (the "C1 Hold Period").

In conjunction with this private placement, Lind received a commitment fee of $37,500 and 3,750,000 common share purchase warrants (the "C1 Warrants"). Each C1 Warrant entitles the holder to purchase one common share of the Company at a price of $0.125 per common share until June 29, 2023. Other than the exercise price and expiry date, the C1 Warrants bear the similar terms and conditions as the A1 Warrants.

The C1 Agreement is subject to essentially the same terms and conditions as the A1 Agreement and the C1 Preferred Shares bear the same essential features of the A1 Preferred Shares including the rate and amount of the increase in the redemption value, the conversion option, put option and call option etc.

After the C1 Hold Period, Lind has the basic right to convert 10 C1 Preferred Shares into common shares of the Company on a monthly basis, subject to certain conversion limits set out in the C1 Agreement, however Lind is permitted to convert up to 30 C1 Preferred Shares on a monthly basis in the event such amount does not exceed 20% of the Company's 20-day traded volume of common shares on the TSX immediately prior to the date of delivery of a conversion notice.

At any time while any C1 Preferred Shares are outstanding, Lind has the option of subscribing for up to an additional 50 Series C2 Preferred Shares at a price of $5,000 per share and under the same terms and conditions as the initial C1 financing, subject to certain triggering events and subject to the prior approval of the TSX ("Series C2 Option"). Lind will also receive a certain number of Series C2 warrants ("C2 Warrants") when it exercises the Series C2 Option. The number of C2 Warrants to be issued and the exercise price of the C2 Warrants will be calculated by using similar formulas used in determining the number and the exercise price of the C1 Warrants.

As the C1 Preferred Shares bear the same essential features as the A1 Preferred Shares, the Company had designated the entire hybrid contract (the C1 Preferred Share and all of the embedded derivatives) as a financial liability at FVTPL and re-measured at each financial statement reporting date.

As the Company has the Call Option to redeem all of the outstanding C1 Preferred Shares at any time after the C1 Hold Period at a 5% premium to the redemption value, the total fair value of the C1 Preferred Shares at issuance is therefore $787,500.

Similar to the A1 Warrants, the exercise price of the C1 Warrants is subject to adjustment from time to time in the event of certain common share rights offering, as such, the C1 Warrants had been classified as a financial liability at FVTPL and re-measured at each financial statement reporting date using the Black-Scholes pricing model.

The fair value of the C1 Warrants was estimated at $73,679 (or $0.0196 for each warrant) at issuance, and this amount was allocated to the warrant component of this private placement. The fair value of the C1 Warrant was estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 2.00%; expected life of 4.0 years; and expected volatility of 35%.

In connection with this private placement, the Company also incurred other issuance costs of $18,668. Cash issuance costs incurred relating to this private placement totaled $56,168 and had been recorded in the Statement of Comprehensive Loss as financing transaction costs.

The fair values of the C1 Preferred Shares and the C1 warrants at issuance totaled $861,179 and the excess of this amount over the gross proceeds ($750,000) of $111,179 had been recorded as a financing transaction cost in the Statement of Comprehensive Loss.

11. Convertible Redeemable Preferred Shares (continued)

A summary of the changes in the convertible redeemable preferred shares amount is set out below:

	Number	Amount
A1 Preferred Shares		
Balance – September 1, 2017	480	$ 2,646,000
Increase in fair value	-	385,875
Converted to common shares	(300)	(1,850,625)
Balance – August 31, 2018	180	1,181,250
Increase in fair value	-	80,063
Converted to common shares	(180)	(1,261,313)
Balance – August 31, 2019	-	$ -
B1 Preferred Shares		
Balance – September 1, 2017	-	$ -
Preferred shares issued	300	1,575,000
Increase in fair value	-	149,625
Converted to common shares	(60)	(338,625)
Balance – August 31, 2018	240	1,386,000
Increase in fair value	-	175,875
Converted to common shares	(155)	(981,750)
Balance – August 31, 2019	85	$ 580,125
C1 Preferred Shares		
Balance – September 1, 2017	-	$ -
Preferred shares issued	150	787,500
Balance – August 31, 2018	150	787,500
Increase in fair value	-	120,750
Converted to common shares	(90)	(530,250)
Balance – August 31, 2019	60	$ 378,000
	145	$ 958,125

As at August 31, 2019, Lind has the right to convert all of the outstanding B1 and C1 Preferred shares. The number of common shares to be issued would be 23,856,209 if all of the outstanding B1 and C1 Preferred Shares had been converted into common shares based on the closing price of the Company’s common shares on the TSX of $0.045 on August 31, 2019.

12. Derivative Liabilities

The derivative liabilities consist of the warrants denominated in foreign currency, and certain warrants with exercise prices that are subject to adjustment from time to time in the event of certain common share rights offering.

The following table summarizes information concerning the derivative liabilities as at the beginning and end of the respective reporting periods:

	Number of Warrants		Amount
Warrants denominated in foreign currency			
Balance – September 1, 2017	6,466,513	$	181,671
Decrease in fair value	-		(181,617)
Balance – August 31, 2018	6,466,513		54
Decrease in fair value	-		(53)
Balance – August 31, 2019	6,466,513	$	1
Other warrants subject to potential price adjustment			
Balance – September 1, 2017	6,900,000	$	133,162
Issued	10,000,000		357,204
Decrease in fair value	-		(380,599)
Balance – August 31, 2018	16,900,000		109,767
Issued	4,575,000		44,199
Decrease in fair value	-		(126,898)
Balance – August 31, 2019	21,475,000	$	27,068
Total derivative liabilities		$	27,069

13. Site Closure and Reclamation Provision

As at August 31, 2018 and 2019, the estimated closure costs to reclaim the Company's Nechalacho exploration camp site at Thor Lake, the Separation Rapids and the Warren Township exploration sites are $250,000, $40,000 and $13,600 respectively. The closure costs for the Nechalacho exploration camp site are expected to be incurred approximately 20 years after the commencement of commercial production. The expected undiscounted future cash flow is estimated to be $539,000 for the Nechalacho exploration camp site, assuming an annual inflation rate of 3%.

14. Share Capital

a) Authorized

The Company is presently authorized to issue an unlimited number of common shares without par value. The Company is also authorized to issue up to 25,000,000 preferred shares without par value, of which 950 have been issued and 145 are outstanding as at August 31, 2019.

b) Common Shares

Common shares issued during the years ended August 31, 2017, 2018 and 2019 are as follows:

i) On November 7, 2016, the Company completed a private placement (the "November 2016 Private Placement") and issued 4,545,454 flow-through common shares at $0.22 per share for gross proceeds of $1,000,000.

14. Share Capital (continued)

In connection with the November 2016 Private Placement, the Company paid finders' fees of $60,000, incurred other issuance costs of $11,351 and issued 272,727 non-transferrable finder's compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.25 per share until November 7, 2018. The estimated fair value of the compensation warrants totaled $12,747. The fair values of these compensation warrants were estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.70%; expected life of 2.0 years; and expected volatility of 74%.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $181,818 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on November 7, 2016.

ii) On December 23, 2016, the Company completed a private placement (the "December 2016 Private Placement") and issued 2,500,000 flow-through common shares at $0.15 per share for gross proceeds of $375,000.

In connection with the December 2016 Private Placement, the Company paid finders' fees of $22,500, incurred other issuance costs of $15,367 and issued 150,000 non-transferrable finder's compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per share until December 23, 2018. The estimated fair value of the compensation warrants totaled $9,189. The fair values of these compensation warrants were estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.78%; expected life of 2.0 years; and expected volatility of 85%.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $25,000 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on December 23, 2016.

iii) On June 12, 2017, the Company completed a private placement (the "June 2017 Private Placement") and issued 3,400,000 flow-through common shares at $0.15 per share for gross proceeds of $510,000.

In connection with the June 2017 Private Placement, the Company paid finders' fees of $30,600, incurred other issuance costs of $23,069 and issued 204,000 non-transferrable finder's compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per share until June 12, 2019. The estimated fair value of the compensation warrants totaled $10,463. The fair values of these compensation warrants were estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.83%; expected life of 2.0 years; and expected volatility of 66%.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $17,000 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on June 12, 2017.

iv) On August 16, 2017, the Company completed a private placement (the "August 2017 Private Placement") and issued 3,100,000 flow-through common shares at $0.145 per share for gross proceeds of $449,500.

14. Share Capital (continued)

In connection with the August 2017 Private Placement, the Company paid finders' fees of $26,970, incurred other issuance costs of $21,908 and issued 186,000 non-transferrable finder's compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.145 per share until August 16, 2019. The estimated fair value of the compensation warrants totaled $7,655. The fair values of these compensation warrants were estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.23%; expected life of 2.0 years; and expected volatility of 63%.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $46,500 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on August 16, 2017.

v) In November 2017, the Company completed a private placement and issued 3,215,000 flow-through common shares at a price of $0.145 per share (of which 305,000 flow-through common shares were subscribed by certain directors and officers of the Company) and 4,800,000 non-flow-through units at a price of $0.12 per unit (the "NFT Unit") for gross proceeds of $1,042,175 (the "November 2017 Private Placement"). Each NFT Unit consists of one non-flow-through common share and one half non-transferable common share purchase warrant, with each whole warrant being exercisable to acquire one non-flow-through common share of the Company at a price of $0.16 until November 3, 2019.

Of the NFT Unit price of $0.12, $0.112 was allocated to the common share component of the NFT Unit and the balance of $0.008 was allocated to the warrant component of the NFT Unit. These values were allocated on a pro rata basis based on the closing trading price of the Company's common shares on the TSX on the closing date of the private placement, which was $0.135, and the estimated fair value of a whole warrant of $0.0193. The fair value of the warrant was estimated using the Black-Scholes pricing model.

In conjunction with this private placement, the Company paid finder's fees of $34,560, incurred other issuance costs of $10,192 and issued 288,000 non-transferrable compensation warrants, with each compensation warrant being exercisable to acquire one common share of the Company at a price of $0.15 until November 3, 2019. The total fair values of these compensation warrants were estimated at $14,030 using the Black-Scholes pricing model.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $32,150 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on the date of issuance.

vi) In December 2017, the Company completed a private placement (the "December 2017 Private Placement") and issued 3,737,400 flow-through common shares at $0.145 per share for gross proceeds of $541,923.

In connection with the December 2017 Private Placement, the Company paid finders' fees of $19,140, incurred other issuance costs of $9,322 and issued 132,000 non-transferrable finder's compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per share until December 22, 2019. The fair values of these compensation warrants were estimated at $4,475 using the Black-Scholes pricing model.

The excess of the cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing totaling $112,122 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on December 29, 2017.

14. Share Capital (continued)

vii) In July 2018, the Company completed a private placement and issued 2,400,000 non-flow-through units (“New NFT Unit”) at a price of $0.10 per New NFT Unit and 3,500,000 flow-through units (“New FT Unit”) at a price of $0.10 per New FT Unit for total gross proceeds of $590,000. Each New NFT Unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.12 for a period of two years from the closing date of the private placement (the “Closing Date”), or if the closing price of the common shares on the TSX is $0.16 or higher for a period of twenty consecutive trading days after the Closing Date, the Company may, by notice to the holder (supplemented by a news release of general dissemination) reduce the expiry date of the warrants to not less than 30 days from the date of such notice (the “Expiry Date”). Each New FT Unit was comprised of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.12 until the Expiry date.

Of the New NFT Unit price of $0.10, $0.0889 was allocated to the common share component of the New NFT Unit and the balance of $0.0111 was allocated to the warrant component of the New NFT Unit. These values were allocated on a pro rata basis based on the closing trading price of the Company’s common shares on the TSX on the Closing Date of the private placement, which was $0.095, and the estimated fair value of a warrant of $0.0119. The fair value of the warrant was estimated using the Black-Scholes pricing model.

The fair value of the warrant component of the New FT Unit was estimated at $0.0040 and the fair value of the flow-through feature of the FT Unit was estimated at $0.0250. Using the relative fair value method, the New FT Unit price of $0.10 was allocated between the share component, the warrant component and the flow-through feature as follows: $0.0746, $0.0035, and $0.0219, respectively.

The fair value of the warrant was estimated using the Black-Scholes pricing model. The fair value of the flow-through feature (“flow-through share premium”) was estimated by multiplying the CEE amount to be renounced per FT Unit of $0.0999 by the Company’s current tax rate of 25%, which totaled $76,650 and was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on July 11, 2018.

viii) In November 2018, the Company completed a private placement and issued 5,375,000 units at a price of $0.07 per unit (the “Unit”) for gross proceeds of $376,250, of which 1,000,000 Units were subscribed by Mr. Donald Bubar, Director, President and CEO of the Company. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.12 for a period of two years from the closing date of the private placement (the “Closing Date”), or if the closing price of the common shares on the TSX is $0.16 or higher for a period of twenty consecutive trading days after the Closing Date, the Company may, by notice to the holder (supplemented by a news release of general dissemination) reduce the expiry date of the warrants to not less than 30 days from the date of such notice.

Of the Unit price of $0.07, $0.069 was allocated to the common share component of the Unit and the balance of $0.001 was allocated to the warrant component of the Unit. These values were allocated on a pro rata basis based on the closing trading price of the Company’s common shares on the TSX on the closing date of the private placement, which was $0.065, and the estimated fair value of a whole warrant of $0.003. The fair value of the warrant was estimated using the Black-Scholes pricing model.

ix) In December 2018, the Company completed a private placement and issued 10,000,000 flow-through common shares at $0.07 per share for gross proceeds of $700,000.

The excess of the cash consideration received over the market price of the Company’s shares at the date of the announcement of the flow-through share financing totaling $150,000 was recorded as a deferred flow-through share premium liability on the consolidated statement of financial position on December 21, 2018.

14. Share Capital (continued)

c) Warrants

The following table reconciles the warrants outstanding to purchase common shares of the Company at the beginning and end of the respective years:

	Number of Warrants	Weighted Average Exercise Price
Balance – September 1, 2016	15,713,485[1]	$0.237
Exercised	(2,275,000)	0.150
Expired	(3,448,485)	0.490
Balance – August 31, 2017	9,990,000[1]	0.169
Issued pursuant to equity offerings (note 14b(v) (vi))	6,550,000	0.135
Expired	(9,960,000)	0.168
Balance – August 31, 2018	6,580,000[1]	0.136
Issued pursuant to equity offerings (note 14b(viii))	2,687,500	0.120
Exercised	(1,000,000)	0.120
Expired	(10,000)	0.490
Balance – August 31, 2019	8,257,500[1]	$0.132

(1) Does not include the additional warrants as disclosed below.

The outstanding warrants have a weighted average remaining contract life of 0.7 years.

The warrants reserve, included as a component of the consolidated statement of changes in equity, relates to equity settled instruments issued by the Company to various stakeholders.

The Company also has the following warrants outstanding as at August 31, 2019:

i) 6,466,513 warrants with an adjusted exercise price of US$0.5223 per share ("US$ Warrants") and are exercisable until June 13, 2021. These warrants are subject to certain anti-dilution provisions, which may reduce the exercise price, with a floor of US$0.5095 per share;

ii) 6,900,000 A1 Warrants with an exercise price of $0.23 per share and are exercisable until March 10, 2022;

iii) 6,250,000 B1 Warrants with an exercise price of $0.15 per share and are exercisable until January 15, 2023;

iv) 3,750,000 C1 Warrants with an exercise price of $0.125 per share and are exercisable until June 29, 2023; and

v) 4,575,000 warrants with an exercise price of $0.07 per share and are exercisable until November 30, 2021.

The Company is also required to issue 20,000 warrants to the Northwest Territory Métis Nation in two equal installments of 10,000 warrants upon the Nechalacho REE Project meeting certain milestones.

14. Share Capital (continued)

d) Share Based Payments

The shareholders have approved a Stock Option Plan (the “Plan”) that provides for the issue of up to 10% of the number of issued and outstanding common shares of the Company to eligible employees, directors and service providers of the Company.

The Plan authorizes the granting of options to purchase common shares of the Company at a price equal to or greater than the closing price of the shares on either the trading day prior to the grant or the day of the grant. The options generally vest over a period of one to four years, and generally have a term of two to five years (but can have a maximum term of up to 10 years).

The following table reconciles the stock options outstanding at the beginning and end of the respective years:

	Number of Options	Weighted Average Exercise Price
Balance – September 1, 2016	10,640,000	$ 0.96
Granted	3,180,000	0.17
Expired	(3,075,000)	2.15
Forfeited	(410,000)	0.86
Balance – August 31, 2017	10,335,000	0.37
Granted	2,345,000	0.12
Exercised	(50,000)	0.11
Expired	(1,215,000)	0.91
Forfeited	(70,000)	0.44
Balance – August 31, 2018	11,345,000	0.26
Granted	3,020,000	0.10
Exercised	(200,000)	0.10
Expired	(3,875,000)	0.43
Forfeited	(893,750)	0.17
Balance – August 31, 2019	9,396,250	$ 0.16

As at August 31, 2019, there were 6,147,500 options vested (August 31, 2018 – 7,816,250, August 31, 2017 – 7,223,750) with an average exercise price of $0.17 per share (August 31, 2018 - $0.31, August 31, 2017 - $0.42), that were exercisable.

During the year ended August 31, 2019, an aggregate of 200,000 (2018 – 50,000) stock options were exercised at the weighted average exercise price of $0.10 (2018 - $0.11) per share, and the weighted average closing market share price on the date preceding the date of exercise was $0.075 (2018 - $0.13) per share. No stock options were exercised during the year ended August 31, 2017.

The share based payments reserve, included as a component of the consolidated statement of changes in equity, relates to equity settled compensation options issued by the Company to its directors, officers, employees and consultants.

The estimated fair value of options earned during the year ended August 31, 2019 was $97,222 (2018 – $176,836, 2017 - $254,994), of which $4,484 (2018 - $1,825, 2017 - $3,172) was capitalized to property, plant and equipment, $13,894 (2018 - $25,129, 2017 - $66,082) was capitalized as exploration and evaluation assets, $Nil (2018 - $596, 2017 - $2,632) was charged to operations as general exploration expenses, with the balance of $78,844 (2018 – $149,286, 2017 - $183,108) charged to operations as share based compensation expense.

14. Share Capital (continued)

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including expected life of the option award, share price volatility and other assumptions. The expected life of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. Expected volatility is based on the historic volatility of the Company's shares. These assumptions involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest.

The weighted average assumptions for grants during the years ended August 31, 2019, August 31, 2018 and August 31, 2017 are as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Exercise price	$0.10	$0.12	$0.17
Closing market price on day preceding date of grant	$0.08	$0.12	$0.17
Risk-free interest rate	1.80%	1.88%	0.75%
Expected life (years)	3.3	3.1	3.0
Expected volatility	63%	59%	77%
Expected dividend yield	Nil	Nil	Nil
Grant date fair value	$0.03	$0.05	$0.08
Forfeiture rate	15%	15%	16%

The following table summarizes information concerning outstanding and exercisable options as at August 31, 2019:

	Number of Options		Weighted Average Remaining
Exercise Price Range	Outstanding	Exercisable	Contractual Life
$0.40 - $0.47	175,000	175,000	0.0 years
$0.30 - $0.39	505,000	505,000	0.7 years
$0.20 - $0.29	1,540,000	1,418,750	0.7 years
$0.15 - $0.19	1,036,250	643,750	2.4 years
$0.08 - $0.14	6,140,000	3,405,000	2.4 years
	9,396,250	6,147,500	

e) Brokers' Compensation Warrants

The following table summarizes information concerning outstanding brokers' compensation warrants as at August 31, 2017, August 31, 2018 and August 31, 2019:

14. Share Capital (continued)

	Number of Compensation Warrants	Weighted Average Exercise Price
Balance – September 1, 2016	2,212,612	$ 0.38
Issued pursuant to equity offerings (note 14b(i)(ii)(iii)(iv))	812,727	0.18
Expired	(1,732,612)	0.44
Balance – August 31, 2017	1,292,727	0.16
Issued pursuant to equity offering (note 14b(v)(vi))	420,000	0.15
Exercised	(300,000)	0.11
Expired	(180,000)	0.18
Balance – August 31, 2018	1,232,727	0.17
Expired	(812,727)	0.18
Balance – August 31, 2019	420,000	$ 0.15

The brokers' compensation warrants reserve, included as a component of the consolidated statement of changes in equity, relates to equity settled compensation instruments issued by the Company to external service providers.

As at August 31, 2019, the Company has the following compensation warrants outstanding:

i) 288,000 compensation warrants with an exercise price of $0.15 per common share, which are exercisable until November 3, 2019; and

ii) 132,000 compensation warrants with an exercise price of $0.15 per common share, which are exercisable until December 22, 2019.

15. Corporate and Administrative Expenses

Corporate and administrative expenses for the years ended August 31, 2019, 2018 and 2017 consist of the following:

	August 31, 2019	August 31, 2018	August 31, 2017
Salaries and benefits[(1)]	$ 1,433,624	$ 1,387,249	$ 1,509,865
Directors' fees	63,800	78,850	83,404
Consulting and professional fees	231,814	398,244	368,610
Office, insurance and other expenses	174,227	286,460	336,744
Occupancy	343,673	317,305	310,842
Shareholders' communications and filing fees	135,237	159,060	150,607
Travel and related costs	32,628	97,591	117,720
	$ 2,415,003	$ 2,724,759	$ 2,877,792

[(1)] These figures do not include share based compensation. Employees' salaries, benefits including share based compensation expensed for the year ended August 31, 2019 totaled $1,485,977 (2018 - $1,463,258, 2017 - $1,694,241).

16. Capital Management

Capital of the Company consists of the components of shareholders' equity, convertible note payable, convertible and redeemable preferred shares, warrants denominated in foreign currency and warrants with exercise prices that are subject to adjustment from time to time in the event of certain common share rights offering.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
(ii) to raise sufficient capital to finance its exploration and development activities on its resource properties; and
(iii) to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in light of changes in general economic conditions, the Company's short term working capital requirements, and its planned exploration and development program expenditure requirements.

As the Company is in the development stage, its principal source of capital is typically from the issuance of share capital. In order to achieve its objectives, the Company expects to spend its existing working capital and raise additional funds as required.

As disclosed in Note 11, the holder of the Preferred Shares Lind is also entitled to accelerate its conversion right, or demand repayment of the applicable redemption value per share in cash, upon the occurrence of certain Redemption Events. The Redemption Events also limit the Company from obtaining other debt or preferred share financings that are not junior to the Preferred Shares other than certain project-related financings, as well as other at-the-market, equity lines or credit type of common share offerings, or convertible security financings where the price of the common share is not fixed at predetermined price. No Redemption Event had occurred since the issuance of the Preferred Shares.

The Company does not have any externally imposed capital requirements other than those Redemption Events as discussed above. There were no significant changes to the Company's approach to capital management during the year ended August 31, 2019.

17. Related Party Disclosures

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

a) Trading transactions

There has been no material trading transactions with related parties during each of the years ended August 31, 2019, 2018 and 2017, other than the participation by certain related parties in certain equity offerings as listed below:

i) the participation by certain related parties in the November 2017 Private Placement, whereby Donald Bubar, Director, President and CEO, Mark Wiseman, Vice President Sustainability, Patricia Mohr, former Director subscribed for 200,000, 55,000 and 50,000 flow-through shares at $0.145 per share, respectively; and

ii) in November 2018, Mr. Donald Bubar subscribed for 1,000,000 Units at $0.07 per Unit as described in Note 14b.

17. Related Party Disclosures (continued)

b) Compensation of key management personnel

The remuneration of directors and other key members of the Company's senior management team during the years ended August 31, 2019, August 31, 2018 and August 31, 2017 are as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Salaries, benefits and directors' fees(1)	$ 1,551,593	$ 1,692,551	$ 1,744,508
Share based compensation(2)	70,992	118,991	281,657
	$ 1,622,585	$ 1,811,542	$ 2,026,165

(1) Salaries and benefits of key management personnel capitalized to exploration and evaluation assets and PPE totaled $343,246 (2018 - $577,224, 2017 - $571,471).
(2) Fair value of stock options earned and recognized as share based compensation during the respective reporting period.

Unpaid directors' fees and salaries included in accrued liabilities and owing to the directors and members of the Company's senior management team totaled $566,685 as at August 31, 2019 (August 31, 2018 - $137,500, August 31, 2017 - $nil).

18. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 — quoted prices in active markets for identical assets or liabilities;
- Level 2 — 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. from derived prices); and
- Level 3 — inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair values of the Company's warrants denominated in a currency that is not the functional currency of the Company and the warrants with exercise prices that are subject to adjustment from time to time are based on Level 2 inputs that are observable for the liability such as interest rate, dividend yield and historical volatility. The fair value of the Convertible Note Payable is based on Level 3 inputs including the applicable face value of the Note. The Company has the right to buy back the Note at any time for the outstanding face value, as such the fair value of the Note is the outstanding face value of the Note. The fair values of the Company's A1, B1 and C1 Preferred Shares are based on Level 3 inputs, including applicable redemption amounts and redemption premiums. The Company has the right to redeem the A1, B1 and C1 Preferred Shares at any time and therefore the fair value of the A1, B1 and C1 Preferred Shares is the amount the Company has to pay to redeem the A1, B1 and C1 Preferred Shares, which is the redemption amount as specified in the purchase agreements plus 5% redemption premium.

Fair Values

Except as disclosed elsewhere in these consolidated financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

18. Financial Instruments (continued)

Credit risk

The Company is not exposed to any significant credit risk as at August 31, 2019. The Company's cash and cash equivalents are either on deposit with two major Canadian Chartered banking groups in Canada or invested in bankers' acceptance notes or guaranteed investment certificates issued by a major Canadian Chartered banking group. The Company's receivables primarily consist of Goods and Services Tax/Harmonized Sales Tax receivable, government grants and refundable security deposits with various federal and provincial governments and are therefore not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to assist in determining the funds that are required to support the Company's normal operating requirements on an on-going basis and its plans for exploration and development expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As at August 31, 2019, the Company has current assets of $4,965,281 and current liabilities of $4,321,273. As disclosed in Note 11, the holder of the B1 and C1 Preferred Shares is entitled to demand repayment of the applicable redemption value per share in cash (which totaled $912,500 as at August 31, 2019) upon the occurrence of certain Redemption Events. No redemption event has occurred since the issuances of the B1 and C1 Preferred Shares. Excluding the deferred flow-through share premium of $47,481, the Company's adjusted working capital as at August 31, 2019 was $691,489, (calculated by adding back the deferred flow-through share premium of $47,481 to the working capital of $644,008). As the de-recognition of the deferred flow-through share premium will not require the future out flow of resources by the Company, it is management's belief that the adjusted working capital figure provides useful information in assessing the Company's liquidity risk.

Repayments due by period as of August 31, 2019:

	Within 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total
Accounts payable and accrued liabilities	$ 1,073,792	$ -	$ -	$ -	$ 1,073,792
Operating lease obligations	205,537	431,565	445,225	74,584	1,156,911
Convertible note payable	-	175,000	-	-	175,000
	$ 1,279,329	$ 606,565	$ 445,225	$ 74,584	$ 2,405,703

Market risk

i) Interest rate risk

The Company has cash and cash equivalents balances and it has no interest-bearing debt. The Company's current policy is to invest its excess cash in highly liquid money market investments such as bankers' acceptance notes, treasury bills and GICs. These short term money market investments are subject to interest rate fluctuations.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of the Company's purchases are transacted in Canadian dollars. Other than the US$ Warrants as disclosed in Note 14c, the Company had no other significant financial assets or financial liabilities denominated in foreign currencies as at August 31, 2019.

18. Financial Instruments (continued)

iii) Price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

Sensitivity analysis

Considering the Company's budget expenditures for the next twelve months and its current cash and cash equivalents of $1,881,841, with other variables held constant, sensitivity to a plus or minus 25 basis points change in interest rates would not have any significant effect on the Company's net loss over a twelve month period.

Other than the US$ Warrants as disclosed in Note 14c, the Company had no other significant financial assets or financial liabilities denominated in foreign currencies as at August 31, 2019, and its anticipated on-going expenditures to be transacted in US dollars for the next twelve month period is approximately US$200,000. If the Canadian dollar weakens (or strengthens) 5% against the US dollar with other variables held constant, it would not have any significant effect on the Company's expenditures over a twelve month period.

19. Supplemental Cash Flow Information

Non-cash financing and investing transactions not reflected in the Consolidated Statements of Cash Flows for the years ended August 31, 2019, August 31, 2018 and August 31, 2017 are as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Share based compensation capitalized as property, plant and equipment (note 14d)	$ 4,484	$ 1,825	$ 3,172
Share based compensation capitalized as exploration and evaluation assets (note 14d)	13,894	25,129	66,082
Depreciation expense capitalized as property, plant and equipment	23,383	37,513	46,912
Depreciation expense capitalized as exploration and evaluation assets	9,342	8,867	8,424
Common shares issued for exploration and evaluation assets (note 7a)	-	-	92,500
	$ 51,103	$ 73,334	$ 217,090

20. Income Taxes

a) Provision for Income Taxes

The following table reconciles the income tax provision from the expected income tax amount based on the statutory rates to the amount recognized in the statements of comprehensive loss:

	August 31, 2019	August 31, 2018	August 31, 2017
Net loss for the year before income taxes	$ 3,541,011	$ 3,458,976	$ 3,674,789
Combined Canadian federal and provincial tax rate	25.0%	25.1%	25.0%
Expected income tax recovery at statutory rates	885,253	868,203	918,697
Share based compensation	(19,711)	(37,620)	(45,777)
Non-deductible financing transaction costs	(20,074)	(89,678)	(90,372)
Other non-deductible expenses	(736)	(2,864)	(6,708)
CEE incurred applied to flow-through shares	(179,086)	(476,559)	(563,796)
Amortization of flow-through share premium	154,676	218,232	317,468
Non-taxable (non-deductible) change in fair value of financial instruments	(62,434)	6,706	50,456
Losses and other deductions for which no benefit has been recognized	(603,212)	(268,188)	(262,500)
Deferred income tax recoveries	$ 154,676	$ 218,232	$ 317,468

b) Income Tax Effect of Temporary Differences Recognized

The tax effects of temporary differences recognized as at August 31, 2019 and August 31, 2018 are as follows:

	August 31, 2019	August 31, 2018
Deferred income tax assets		
Exploration and evaluation assets	$ 4,721,336	$ 4,647,258
Scientific research and experimental developmental expenditures	5,424,332	5,527,640
	10,145,668	10,174,898
Deferred income tax liabilities		
Property plant and equipment	(10,145,668)(1)	(10,174,898)
Net deferred income tax assets	$ -	$ -

(1) Included the deferred income tax liability related to the carrying amount of Asset Held for Sale.

20. Income Taxes (continued)

c) *Income Tax Temporary Differences Not Recognized*

The deductible income tax temporary differences that have not been recognized as deferred income tax assets as at August 31, 2019 and August 31, 2018 are as follows:

	August 31, 2019	August 31, 2018
Non-capital loss carryforwards	$ 35,630,141	$ 33,460,535
Scientific research and experimental developmental expenditures	5,670,428	5,345,287
Share issuance costs	458,359	781,253
Capital loss carry forwards	2,294,535	2,294,535
Deductible temporary differences not recognized	$ 44,053,463	$ 41,881,610

The Company also has non-refundable investment tax credit carry forwards of $5,701,467 (2018 - $5,773,473), which has not been recognized as a deferred income tax asset.

d) *Non-Capital Losses*

The Company has non-capital losses carried forward of approximately $33,963,000 (2018 - $31,793,000, 2017 – $26,424,000) available to reduce future years' Canadian taxable income. These losses will expire as follows:

2026	$ 156,000
2027	232,000
2028	847,000
2029	914,000
2030	1,584,000
2031	3,050,000
2032	3,601,000
2033	4,151,000
2034	4,211,000
2035	4,397,000
2036	3,008,000
2037	2,805,000
2038	2,837,000
2039	2,170,000

The Company also has net operating losses of approximately $1,668,000 (2018 - $1,668,000, 2017 - $1,668,000) to reduce future years' U.S. taxable income. These losses will expire as follows:

2031	$ 5,000
2032	2,000
2033	3,000
2034	1,658,000

e) *Capital Losses*

The Company has capital losses carried forward of approximately $2,295,000 (2018 - $2,295,000, 2017 - $2,295,000) available to reduce future years' Canadian taxable capital gains.

21. Loss per Share

The weighted average number of common shares for the purposes of diluted loss per share reconciles to the weighted average number of common shares used in the calculation of basic loss per share as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Weighted average number of common shares used in the calculation of basic loss per share	275,760,316	215,152,381	187,869,637
Diluted impact of convertible note payable	-	-	-
Diluted impact of convertible redeemable preferred shares	-	-	-
Diluted impact of warrants	-	-	-
Diluted impact of stock options	-	-	-
Weighted average number of common shares used in the calculation of diluted loss per share	275,760,316	215,152,381	187,869,637

The loss used to calculate the basic and diluted loss per common share for the year ended August 31, 2019 was $3,386,335 (2018 - $3,240,744, 2017 - $3,357,321).

As at August 31, 2019, the Company had 36,619,013 (2018 - 31,179,240, 2017 - 24,649,240) warrants and 9,396,250 (2018 - 11,345,000, 2017 - 10,335,000) stock options outstanding. As at August 31, 2019, the Company also had 145 Preferred Shares (2018 – 570, 2017 – 480) and $175,000 (2018 and 2017 - $Nil) Convertible Note Payable outstanding, which could had been converted into a total of 28,717,320 common shares based on the closing price of the Company's common shares on the TSX of $0.045 on August 31, 2019. These warrants, options, Preferred Shares and Convertible Note Payable could potentially dilute earnings per share in the future, but have not been included in the diluted loss per share calculation because they were antidilutive for the years ended August 31, 2019, August 31, 2018 and August 31, 2017.

22. Operating Lease Arrangements

The Company has entered into commercial leases on its premises and the future minimum lease payments under non-cancellable operating leases are as follows:

2020	$205,537
2021	214,644
2022	216,921
2023	221,474
2024	223,751
2025 and thereafter	74,584

23. Commitments

As at August 31, 2019, pursuant to the subscription agreements entered into for the December 2018 private placement the Company is required to incur additional CEE of $221,580 by December 31, 2019.

24. Events After the Reporting Period

Subsequent to the year ended August 31, 2019, the Company:

a) granted an aggregate of 675,000 stock options with a weighted average exercise price of $0.08 per share to certain employees, directors and consultants of the Company. The weighted average contract life of these options at issuance was 3.4 years;

24. Events After the Reporting Period (continued)

b) issued a total of 7,676,845 common shares pursuant to the conversion of 30 B1 Preferred Shares and 20 C1 Preferred Shares;

c) issued 2,846,254 common shares pursuant to the conversion of $116,667 Convertible Note Payable;

d) as described in note 8a, received cash payments of $1.8 million related to the sale of a certain portion of the Nechalacho resources;

e) had 1,085,000 stock options with an average exercise price of $0.26 per share expire;

f) had 2,400,000 warrants with an exercise price of $0.16 per share expire; and

g) had 288,000 brokers' compensation warrants with an exercise price of $0.15 per share expire.