# PACIFIC IMPERIAL MINES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## For the Three Months Ended September 30, 2019 and 2018

## (Expressed in Canadian Dollars)

## (Unaudited)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of Pacific Imperial Mines Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited, Expressed in Canadian dollars)

| | Note | September 30, 2019 $ | June 30, 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 185,591 | 227,074 |
| GST receivable | | 5,595 | 7,389 |
| Prepaid expenses | | 1,378 | 1,377 |
| | | 194,564 | 235,841 |
| Equipment | 3 | 320 | 346 |
| **Total assets** | | **194,884** | **236,187** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 1,861 | 4,312 |
| Due to related parties | 5 | 10,250 | 8,429 |
| Total liabilities | | 12,111 | 12,741 |
| **EQUITY** | | | |
| Share capital | 6 | 4,331,997 | 4,331,997 |
| Contributed surplus | | 2,431,535 | 2,431,535 |
| Deficit | | (6,580,759) | (6,540,086) |
| Total Equity | | 182,773 | 223,446 |
| **Total liabilities and equity** | | **194,884** | **236,187** |

Nature of business and continuance of operation (Note 1)

Approved on behalf of the Board of Directors:

***"Roman Shklanka"***
Roman Shklanka,
Director

***"Leo King"***
Leo King,
Director

(The accompanying notes are an integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the Three Months Ended September 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

| | Note | Three months ended September 30, 2019 $ | Three months ended September 30, 2018 $ |
|---|---|---|---|
| **Exploration costs** | 4 | 34,396 | 82,238 |
| **General and administrative expenses** | | | |
| Accounting and audit | | 2,250 | 2,631 |
| Depreciation | 3 | 26 | 37 |
| Legal | | 375 | 336 |
| Office and miscellaneous | | 3,292 | 5,622 |
| Transfer agent fees | | 642 | 653 |
| **Loss before other items** | | 40,981 | 91,517 |
| **Other items** | | | |
| Interest income | | (308) | (548) |
| Foreign exchange loss | | - | 606 |
| **Net loss and comprehensive loss** | | **40,673** | **91,575** |
| **Loss per share, basic and diluted** | | - | - |
| **Weighted average shares outstanding** | | 68,577,468 | 68,577,468 |

(The accompanying notes are an integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

## CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

For the Three Months Ended September 30, 2019 and 2018
(Unaudited, Expressed in Canadian Dollars, except number of shares)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | **Number of Shares** | **Amount $** | **Contributed Surplus $** | **Deficit $** | **Total Equity** |
| Balance, June 30, 2018 | 68,577,468 | 4,331,997 | 2,431,535 | (6,263,168) | 500,364 |
| Net loss for the period | - | - | - | (91,575) | (91,575) |
| **Balance, September 30, 2018** | 68,577,468 | 4,331,997 | 2,431,535 | (6,354,743) | 408,789 |
| Net loss for the period | - | - | - | (185,343) | (185,343) |
| **Balance, June 30, 2019** | **68,577,468** | **4,331,997** | **2,431,535** | **(6,540,086)** | **223,446** |
| Net loss for the period | - | - | - | (40,673) | (40,673) |
| **Balance, September 30, 2019** | **68,577,468** | **4,331,997** | **2,431,535** | **(6,580,759)** | **182,773** |

(The accompanying notes are integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

For the Three Ended September 30, 2019 and 2018

(Unaudited in Canadian dollars)

| | | Three months ended September 30, | |
|---|---|---|---|
| | **Note** | **2019 $** | **2018 $** |
| **OPERATING ACTIVITIES** | | | |
| Loss for the period | | (40,673) | (91,575) |
| Adjustments for non-cash items: | | | |
| Depreciation | 3 | 26 | 37 |
| Unrealized foreign exchange | | - | 315 |
| | | (40,647) | (91,223) |
| Changes in non-cash working capital items: | | | |
| Accounts payable and accrued liabilities | | (2,451) | 2,493 |
| GST receivable | | (206) | (319) |
| Due to related parties | | 1,821 | (1,272) |
| Net cash used in operating activities | | (41,483) | (90,321) |
| **INVESTING ACTIVITIES** | | | |
| Reclamation deposit | | - | 7,586 |
| Net cash from investing activities | | - | 7,586 |
| Decrease in cash | | (41,483) | (82,735) |
| Cash, beginning of period | | 227,074 | 496,685 |
| **Cash, end of period** | | **185,591** | **413,950** |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid in cash | | - | - |
| Income tax paid in cash | | - | - |
| Finder’s fees paid | | - | - |

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Business and Going Concern

Pacific Imperial Mines Inc. ("the Company") was incorporated under the British Columbia Business Corporations Act since September 18, 1987. The Company's shares are listed on the TSX Venture Exchange. The Company's principal office is located at Suite 1700, 700 West Pender Street, Vancouver, B.C. Canada V6C 1G8. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

These financial statements of the Company have been prepared on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to $6,580,759 as of September 30, 2019 (June 30, 2019 - $6,540,086). The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so. These conditions along with other matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast significant doubt upon the validity of this assumption.

In the event the Company is unable to arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, certain market conditions may cast significant doubt upon the validity of the going concern assumption.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

## 2. Summary of Significant Accounting Policies

(a) Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for annual financial statements under International Financial Reporting Standards ("IFRS") as issued by the IASB and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2018. These unaudited condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value and are presented in Canadian dollars.

(Unaudited, Expressed in Canadian Dollars)

These condensed interim financial statements were approved by the Company's Board of Directors on November 28, 2019.

(b) Recent accounting pronouncements

New Accounting Pronouncements Adopted During the Year

IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 30 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements.

The Company assessed that there was no significant impact to the financial statements on the adoption of classification and measurement of its financial instruments, the classification under the new and old standard is set out below:

| Financial Instrument | IAS 39 | IFRS 9 |
|---|---|---|
| Cash | FVTPL | FVTPL |
| Accounts payable | Other financial liabilities | Amortized cost |
| Due to related parties | Other financial liabilities | Amortized cost |

Accounting standard issued but not yet applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

Standards effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company does not expect that the adoption of the above standard would have any significant impact on the financial statements of the Company.

(Unaudited, Expressed in Canadian Dollars)

## 3. Equipment

| | Cost<br>$ | Accumulated depreciation<br>$ | Net book value<br>$ |
|---|---|---|---|
| June 30, 2019 | | | |
| Computer and software | 6,434 | 6,088 | 346 |
| September 30, 2019 | | | |
| Computer and software | 6,434 | 6,114 | 320 |

## 4. Mineral Interests

Eagle Mountain Property, California

The Company has acquired by staking a 100% interest in the Eagle Mountain Lithium prospect located in Inyo County, California, within 15 kilometers of the Nevada border. The property currently consists of 167 placer claim units, each 20 acres in size, totaling approximately 3,340 acres located in the Alkali Flats area, near Death Valley Junction and covering most of the Eagle Mountain salina.

On September 12, 2018, the Company entered into a Staking Agreement with Star Peak Mining LLC to stake mining claims near Death Valley Junction California on behalf of Pacific Imperial Mines Nevada Inc.. In accordance with the agreement, Star Peak Mining LLC has staked 77 new placer claims and re-staked 90 existing placers claims on behalf of the Company under the name Pacific Imperial Mines Nevada Inc.

On March 29, 2019, the Company staked an additional 56 claims in Inyo County, California to expand the Eagle Mountain Property.

During the three months ended September 30, 2019 and 2018, the Company incurred the following exploration costs:

| | Three months ended September 30,<br>2019<br>$ | <br>2018<br>$ |
|---|---|---|
| Assays and sampling | - | - |
| Field expenses | - | - |
| Finder's fees | - | - |
| Geo-physical consultants | - | - |
| Mineral claims and filing fees | 34,396 | 24,492 |
| Office | - | - |
| Project management fees | - | 29,746 |
| Property taxes | - | - |
| Travel | - | - |
| **Total** | **34,396** | **82,238** |

(Unaudited, Expressed in Canadian Dollars)

## 5. Related Party Balances and Transactions

During the three months ended September 30, 2019 and 2018, the Company had the following transactions with related parties:

(a) Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

| | Three months ended September 30, 2019 $ | 2018 $ |
|---|---|---|
| Consulting fees | 2,250 | 2,631 |
| Share based compensation | - | - |
| **Total** | **2,250** | **2,631** |

(b) Due to related parties

As at September 30, 2019 there was $10,250 (June 30, 2019 - $8,429) owing to officers of the Company for consulting fees.

Related party amounts are unsecured, non-interest bearing and due on demand. These transactions are measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

## 6. Share Capital

(a) Authorized: unlimited common shares with no par value

(b) Issued and outstanding:

<u>During the period ended September 30, 2019</u>

The Company did not issue any common shares during the three months ended September 30, 2019.

<u>During the year ended June 30, 2019</u>

The Company did not issue any common shares during the year ended June 30, 2019.

(c) Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

(Unaudited, Expressed in Canadian Dollars)

The following table summarizes the continuity of the Company's stock options issued and outstanding at September 30, 2019:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, June 30, 2018 | 2,650,000 | $0.05 |
| Granted | - | - |
| Expired | - | - |
| **Balance, June 30, 2019 and September 30, 2019** | **2,650,000** | **$0.05** |

The following table summarizes the number of stock options outstanding and exercisable at September 30, 2019:

| | | Options Outstanding | | Options Exercisable | |
|---|---|---|---|---|---|
| **Expiry Date** | **Exercise price** | **Number of options** | **Weighted average remaining contractual life in years** | **Number of options** | **Weighted average remaining contractual life in years** |
| October 10, 2019 | $0.05 | 850,000 | 0.03 | 850,000 | 0.03 |
| February 23, 2023 | $0.05 | 1,800,000 | 3.40 | 1,800,000 | 3.40 |
| | | **2,650,000** | **2.32** | **2,650,000** | **2.32** |

For the three months ended September 30, 2019 the Company recognized a share based compensation expense of $Nil (June 30, 2019 - $Nil).

Subsequent to the period ended Sept 30, 2019 and on October 10, 2019, 850,000 warrants expired and were not exercised.

(d) Warrants

The following table summarizes the Company's warrants at September 30, 2019:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, June 30, 2018 | 24,276,000 | $0.09 |
| Expired – May 13, 2019 | (12,700,000) | $0.10 |
| **Balance, June 30, 2019 and September 30, 2019** | **11,576,000** | **$0.075** |

(Unaudited, Expressed in Canadian Dollars)

Details of share purchase warrants outstanding at September 30, 2019:

| Expiry Date | Exercise Price | Number of warrants | Weighted average remaining contractual life in years |
|---|---|---|---|
| March 26, 2020 | $0.075 | 11,576,000 | 0.49 |
| **Balance, September 30, 2019** | **$0.075** | **11,576,000** | **0.49** |

The Company may accelerate the expiry date if the common shares of the Company trade at a closing price of greater than $0.15 per common share for a period of 20 consecutive days at any time after four months and one day after the closing date of the private placement.

## 7. Management of Capital

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises of equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments with financial institutions with terms to maturity selected to match expected timing of expenditures from continuing operations.

## 8. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash, accounts payable and amounts due to related parties.

(Unaudited, Expressed in Canadian Dollars)

The following table summarizes information regarding the carrying values of the Company's financial instruments:

| | **September 30, 2019 $** | **June 30, 2019 $** |
|---|---|---|
| Assets as FVTPL (i) | 185,591 | 227,074 |
| Other financial liabilities (ii) | 12,111 | 12,741 |

(i) Cash
(ii) Accounts payable, and amounts due to related parties

*Fair Value*

The estimated fair values of cash, accounts payable and amounts due to related parties approximate their respective carrying values due to their short periods to maturity. For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level on a recurring basis within the fair value hierarchy:

| | **Level 1 $** | **Level 2 $** | **Level 3 $** | **Total $** |
|---|---|---|---|---|
| September 30, 2019 | | | | |
| Cash | 185,591 | - | - | 185,591 |
| June 30, 2019 | | | | |
| Cash | 227,074 | - | - | 227,074 |

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

*Credit Risk*

The Company is not exposed to significant credit risk. The Company limits exposure to credit risk by maintaining its cash with financial institutions.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuances when required. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

*Foreign Exchange Risk*

As at September 30, 2019 the Company has non-financial instrument assets of $Nil denominated in USD and is not exposed to significant foreign exchange risk. The Company does not actively manage this risk.

*Interest Rate Risk*

The Company is not exposed to significant interest rate risk.