# CONTINENTAL PRECIOUS MINERALS INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## THREE AND NINE MONTHS ENDED

## FEBRUARY 28, 2019

## (EXPRESSED IN CANADIAN DOLLARS)

## (UNAUDITED)

## NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Continental Precious Minerals Inc. ("Continental") have been prepared by, and are the responsibility of, management. The unaudited condensed interim consolidated financial statements have not been reviewed by Continental's auditors.

**CONTINENTAL PRECIOUS MINERALS INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**
**(UNAUDITED)**

| | As at February 28, 2019 | As at May 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$ 4,876,722** | $ 5,272,894 |
| Marketable securities | **4,392** | 8,692 |
| Accounts receivable | **5,638** | 7,136 |
| Prepaid expenses | **13,777** | 11,383 |
| **Total assets** | **$ 4,900,529** | $ 5,300,105 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 3 and 7) | **$ 40,388** | $ 37,336 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 4) | **33,482,048** | 33,482,048 |
| Reserves (Note 4) | **26,502,330** | 26,447,530 |
| Deficit | **(55,124,237)** | (54,666,809) |
| **Total shareholders' equity** | **4,860,141** | 5,262,769 |
| **Total liabilities and shareholders' equity** | **$ 4,900,529** | $ 5,300,105 |

**Approved by the Board**

"Norman Brewster", Director

"Marty Bernholtz", Director

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

**CONTINENTAL PRECIOUS MINERALS INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**(Expressed in Canadian Dollars)**
**(UNAUDITED)**

| | Three Months Ended February 28, 2019 | Three Months Ended February 28, 2018 | Nine Months Ended February 28, 2019 | Nine Months Ended February 28, 2018 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Director fees (Note 7) | **$ 18,487** | $ 13,250 | **$ 49,750** | $ 39,750 |
| Office and general | **194,363** | 7,744 | **210,016** | 29,150 |
| Professional fees (Note 7) | **98,919** | 10,787 | **157,247** | 47,894 |
| Shareholder relations | **259** | 114 | **14,147** | 12,733 |
| Stock exchange fees | **1,250** | - | **3,750** | - |
| Travel and business development | **232** | - | **4,177** | - |
| Share-based compensation (Note 5) | **-** | - | **56,500** | - |
| | **313,510** | 31,895 | **495,587** | 129,527 |
| **Net operating loss before the following** | **(313,510)** | (31,895) | **(495,587)** | (129,527) |
| Interest and other income | **6,912** | 13,181 | **38,159** | 35,824 |
| **Net loss for the period** | **(306,598)** | (18,714) | **(457,428)** | (93,703) |
| **Other comprehensive loss** | | | | |
| Items that may subsequently be reclassified to profit or loss: | | | | |
| Changes in fair value of marketable securities | **(4,300)** | (7,341) | **(1,700)** | (2,341) |
| **Net loss and comprehensive loss for the period** | **$ (310,898)** | $ (26,055) | **$ (459,128)** | $ (96,044) |
| **Basic and diluted loss per share** | **$ (0.03)** | $ (0.00) | **$ (0.04)** | $ (0.01) |
| **Weighted average number of shares outstanding - basic and diluted** | **11,706,896** | 11,706,896 | **11,706,896** | 11,706,896 |

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

**CONTINENTAL PRECIOUS MINERALS INC.**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**(Expressed in Canadian Dollars)**

| | | Reserves | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Broker Warrants | Share-based Payments | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total |
| **Balance, May 31, 2017** | **$ 33,482,048** | **$ 36,254** | **$ 26,432,671** | **$ (19,054)** | **$ (54,177,871)** | **$ 5,754,048** |
| Net loss for the period | - | - | - | - | (93,703) | (93,703) |
| Other comprehensive income for the period | - | - | - | (2,341) | - | (2,341) |
| **Balance, February 28, 2018** | **33,482,048** | **36,254** | **26,432,671** | **(21,395)** | **(54,271,574)** | **5,658,004** |
| | | | | | | |
| **Balance, May 31, 2018** | **$ 33,482,048** | **$ 36,254** | **$ 26,432,671** | **$ (21,395)** | **$ (54,666,809)** | **$ 5,262,769** |
| Share-based compensation (Note 5) | - | - | 56,500 | - | - | 56,500 |
| Net loss for the period | - | - | - | - | (457,428) | (457,428) |
| Other comprehensive loss for the period | - | - | - | (1,700) | - | (1,700) |
| **Balance, February 28, 2019** | **$ 33,482,048** | **$ 36,254** | **$ 26,489,171** | **$ (23,095)** | **$ (55,124,237)** | **$ 4,860,141** |

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

**CONTINENTAL PRECIOUS MINERALS INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian Dollars)**

| | Nine Months Ended February 28, 2019 | Nine Months Ended February 28, 2018 |
|---|---|---|
| **Cash flows used in operating activities** | | |
| Net loss for the period | **$ (457,428)** | $ (93,703) |
| Adjustment for non-cash items: | | |
| Share-based compensation | **56,500** | - |
| Changes in non-cash working capital: | | |
| Accounts receivable | **1,498** | 3,279 |
| Prepaid expenses | **(2,394)** | (2,062) |
| Accounts payable and accrued liabilities | **3,052** | (10,007) |
| | **(398,772)** | (102,493) |
| **Cash flows provided by investing activities** | | |
| Proceeds from return of capital of marketable securities | **2,600** | 10,000 |
| | **2,600** | 10,000 |
| **Net change in cash and cash equivalents during the period** | **(396,172)** | (92,493) |
| **Cash and cash equivalents, beginning of period** | **5,272,894** | 5,733,085 |
| **Cash and cash equivalents, end of period** | **$ 4,876,722** | $ 5,640,592 |
| **Cash and equivalents consists of the following:** | | |
| Cash | **$ 3,442,643** | $ 258,586 |
| Cash equivalents - GIC | **1,434,079** | 5,382,006 |
| | **$ 4,876,722** | $ 5,640,592 |

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

## 1. NATURE OF BUSINESS

Continental Precious Minerals Inc. (the "Company") is a reporting issuer that trades on the NEX under the Symbol "CZQ.H". Historically, the Company's business focus has been in the natural resources industry. Current management is actively seeking new business opportunities. The primary office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and the IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of April 29, 2019 the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended May 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended May 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

### (b) New and revised IFRS adopted by the Company

*IFRS 9 Financial Instruments ("IFRS 9")*

Effective June 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at June 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

| Classification | IAS 39 | IFRS 9 |
|---|---|---|
| Cash and cash equivalents | FVTPL | FVTPL |
| Marketable securities | Available-for-sale | FVTOCI |
| Accounts receivable | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities (amortized cost) | Amortized cost |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) New and revised IFRS adopted by the Company (continued)

*IFRS 9 Financial Instruments ("IFRS 9") (continued)*

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's May 31, 2018 consolidated financial statements has been updated as follows:

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) New and revised IFRS adopted by the Company (continued)

*IFRS 9 Financial Instruments ("IFRS 9") (continued)*

Classification and Measurement (continued)

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consist of cash and cash equivalents, which is classified and subsequently measured at FVTPL, marketable securities, which is classified and subsequently measured at FVOCI, and accounts receivable, which is classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

## 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | As at February 28, 2019 | As at May 31, 2018 |
|---|---|---|
| Accounts payable | **$ 22,888** | $ 22,297 |
| Accrued liabilities | **17,500** | 15,039 |
| Total accounts payable and accrued liabilities | **$ 40,388** | $ 37,336 |

## 4. SHARE CAPITAL

### (a) Authorized

Unlimited number of Class A Preference shares.

Class A Preference shares are issuable in one or more series, the terms of which are subject to the discretion of the directors at the date of issuance. No Class A Preference shares have been issued as at February-28-19.

Unlimited number of Common shares.

### (b) Issued

| | Number of common shares | Stated value |
|---|---|---|
| **Balance, May 31, 2017, February 28, 2018, May 31, 2018 and February 28, 2019** | **11,706,896** | **$ 33,482,048** |

### (c) Reserves

Reserves consist of broker warrants, share-based payments and other comprehensive loss. The fair value of broker warrants issued and stock options granted are determined using the black-scholes valuation model and recorded in the corresponding reserve accounts. Accumulated other comprehensive loss relates to fair value adjustments on marketable securities.

## 5. STOCK OPTIONS

The Company's stock option plan (the "Plan") authorizes the board of directors of the Company to grant non-transferable stock options to its service providers, directors and to officers of the Company. Under the Plan, the number of shares subject to stock options cannot exceed 1,541,667 and the total number of shares which may be reserved for issuance to any one individual under the Plan cannot exceed 5% of the issued and outstanding shares, provided that (i) the maximum number of shares which may be reserved for issuance to insiders under the Plan and any other stock option plans or options cannot exceed 10% of the issued and outstanding shares at the time of the grant, (ii) the maximum number of shares which may be issued to insiders under the Plan and any other share compensation arrangements within any one year period cannot exceed 10% of the outstanding issue, and (iii) the maximum number of shares which may be issued to any one insider under the Plan and any other compensation arrangement within a one year period cannot exceed 5% of the shares outstanding at the time of the grant. The exercise price shall be determined by the board of directors from time to time on the basis of the closing price of the shares on the stock exchange on which the shares are then listed for trading.

## 5. STOCK OPTIONS (CONTINUED)

The following table reflects the continuity of stock options for the periods presented:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| **Balance, May 31, 2017, February 28, 2018 and May 31, 2018** | **500,000** | **0.35** |
| Granted (i) | 400,000 | 0.35 |
| **Balance, February 28, 2019** | **900,000** | **0.35** |

(i) On September 20, 2018, the Company granted 400,000 stock options to the directors of the Company with each option exercisable into one common share of the Company at a price of $0.35 per share until September 20, 2021 and vesting immediately. The fair value of these options at the date of grant of $0.14 was estimated using the Black-Scholes options valuation model with the following assumptions: dividend yield of 0%; expected average volatility of 78%; risk-free interest rate of 2.21% and an expected average life of 3 years. The grant date fair value assigned to these options was $56,500.

## 6. WARRANTS

As of February-28-19, nil warrants were outstanding.

## 7. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.
During the three and nine months ended February-28-19, Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc., together known as the "Marrelli Group" charged the Company $8,346 and $32,685, respectively (three and nine months ended February-28-18 - $5,459 and $33,170, respectively) in professional fees for the following services:

- Mr. Peng, employee of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company.
- Bookkeeping and office support services:
- Regulatory filing services; and
- Corporate secretarial services.

The Marrelli Group is also reimbursed for out of pocket expenses. As of February-28-19, the Marrelli Group was owed $2,946 (May 31, 2018 - $4,854). These amounts were included in accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing and due on demand.

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the consulting fees paid to the Company's CEO and CFO, remuneration of Directors and key management personnel of the Company was as follows:

| | Three Months Ended February 28, 2019 | Three Months Ended February 28, 2018 | Nine Months Ended February 28, 2019 | Nine Months Ended February 28, 2018 |
|---|---|---|---|---|
| Director fees | **$ 18,487** | $ 13,250 | **$ 49,750** | $ 39,750 |
| Share-based compensation | **$ -** | $ - | **$ 56,500** | $ - |

The Board of Directors do not have employment or service contracts with the Company. They are entitled to director fees and stock options for their services.

## 8. TERMINATED TRANSACTION AND STATEMENT OF CLAIM

On February 15, 2019, the Company terminated an agreement with respect to a potential reverse takeover transaction involving High Speed Interconnects, Inc. ("HSI"), a company headquartered in Scottsdale, Arizona, which extrudes and assembles high-performance RF microwave coaxial cable.

The parties had entered into a letter of intent in December 2018, which was binding on HSI and its principals but not binding on Continental. The parties subsequently entered into a definitive binding agreement on January 24, 2018. Prior to Continental issuing a press release announcing the transaction, which had been approved by all parties, HSI and its principals communicated to Continental that they wanted to change certain terms of the transaction. As a result of HSI breaching the terms of the agreements between the parties, Continental has terminated the definitive agreement.

On February 28, 2019, the Company issued a statement of claim in the Ontario Superior Court of Justice (the “Statement of Claim”) against HSI and related parties (the "Vendors") in connection with the terminated transaction described in the Company's press release issued on February 19, 2019. The Statement of Claim concerns, among other causes of action, the alleged breach by the Vendors of certain representations, warranties and covenants in the securities exchange agreement entered into between the Company and the Vendors on January 24, 2019. Pursuant to the Statement of Claim, the Company is seeking various damages.