



(Formerly Granite Creek Gold Ltd.)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018**

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of:

GRANITE CREEK COPPER LTD.
(formerly Granite Creek Gold Ltd.)

Opinion

We have audited the consolidated financial statements of Granite Creek Copper Ltd. ("the Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1,084,526 during the year ended July 31, 2019, and as of that date, had accumulated losses since inception of \$4,032,204. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mike Kao.

WDM

Chartered Professional Accountants

Vancouver, B.C.

November 25, 2019



GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	July 31, 2019	July 31, 2018
		\$	\$
ASSETS			
Current			
Cash		109,106	11,736
GST and subscription receivables	7(b)(i)	75,952	-
Prepaid expenses and deposits	8(b)	236,575	1,480
		421,633	13,216
Non-Current			
Exploration and evaluation assets	5	225,336	-
		646,969	13,216
LIABILITIES			
Current			
Accounts payable and accrued liabilities		120,344	204,082
GST payable		-	3,492
Due to related parties	8(b)	82,953	209,847
Loans payable	6	-	279,565
		203,297	696,986
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	4,286,390	2,267,494
Share-based payments reserve	7(d)	193,072	12,416
Foreign currency translation reserve		(3,586)	(3,586)
Deficit		(4,032,204)	(2,960,094)
		443,672	(683,770)
		646,969	13,216

Approved on behalf of the Board:
"Timothy A. Johnson" , Director
"Michael Rowley" , Director

GRANITE CREEK COPPER LTD.**(Formerly Granite Creek Gold Ltd.)****Consolidated Statements of Comprehensive Loss**

For the Years Ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Note	2019	2018
		\$	\$
Expenses			
Consulting and management fees	8(a)	263,758	209,045
Corporate advisory fees		143,496	-
Exploration and evaluation expenditures	5	243,122	-
Investor relations		71,956	-
Office and administration		44,956	28,145
Professional fees		89,661	24,852
Share-based payments expense	7(d), 8(a)	193,072	-
Transfer agent, regulatory and filing fees		33,956	3,256
Travel and accommodation		549	-
Loss Before Other Items		1,084,526	265,298
Other Item			
Interest expense	6	-	11,193
Net Loss and Comprehensive Loss for the Year		(1,084,526)	(276,491)
Basic and Diluted Loss per Share		\$ (0.06)	\$ (0.10)
Weighted Average Number of Common Shares Outstanding		17,111,979	2,901,025

GRANITE CREEK COPPER LTD.**(Formerly Granite Creek Gold Ltd.)****Consolidated Statements of Changes in Equity (Deficiency)**

For the Years Ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Stock Options Reserve	Foreign Currency Translation Reserve	Deficit	Total
			\$	\$	\$	\$	\$
Balance, July 31, 2017		2,901,025	2,267,494	12,416	(3,586)	(2,683,603)	(407,279)
Net loss for the year		-	-	-	-	(276,491)	(276,491)
Balance, July 31, 2018		2,901,025	2,267,494	12,416	(3,586)	(2,960,094)	(683,770)
Net loss for the year		-	-	-	-	(1,084,526)	(1,084,526)
Shares issued pursuant to property acquisition	5	3,000,000	225,000	-	-	-	225,000
Private placement, net of share issue costs	7(b)(i)	24,000,000	1,793,896	-	-	-	1,793,896
Share-based payments expense		-	-	193,072	-	-	193,072
Reclass of expired stock options	7(d)	-	-	(12,416)	-	12,416	-
Balance, July 31, 2019		29,901,025	4,286,390	193,072	(3,586)	(4,032,204)	443,672

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	2019	2018
		\$	\$
Operating Activities			
Net loss for the year		(1,084,526)	(276,491)
Items not involving cash:			
Interest expense		(5,790)	-
Share-based payments expense		193,072	-
		(897,244)	(276,491)
Net change in non-cash working capital	11	(347,970)	141,873
Cash used in operating activities		(1,245,214)	(134,618)
Investing Activity			
Acquisition of exploration and evaluation assets		(336)	-
Cash used in investing activity		(336)	-
Financing Activities			
Proceeds received from private placement	7(b)(i)	1,748,006	-
Share issue costs	7(b)(i)	(6,104)	-
Receipt (repayment) of loans	6	(272,088)	59,149
Receipts from (payments to) related parties, net		(126,894)	83,575
Cash provided by financing activities		1,342,920	142,724
Net increase in cash		97,370	8,106
Cash, beginning of year		11,736	3,630
Cash, end of year		109,106	11,736
Supplemental cash flow information	11		

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND ABILITY TO CONTINUE AS A GOING CONCERN

Granite Creek Copper Ltd. (the “**Company**”) was incorporated on May 10, 2007 under the British Columbia Business Corporations Act. The Company’s principal business activities include the acquisition, exploration and development of mineral properties. The address of the Company’s corporate office and its principal place of business is Suite 1209, 409 Granville Street, Vancouver, BC, V6C 1T2. The Company is a reporting issuer and trades on the TSX Venture Exchange in Canada under the symbol “GCX”. On October 18, 2018, the Company changed its name from Granite Creek Gold Ltd. to Granite Creek Copper Ltd.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve profitable operations. The Company has sustained losses from operations and has an ongoing requirement for capital investment to acquire and explore its mineral properties.

The Company incurred a net loss of \$1,084,526 during the year ended July 31, 2019, and as of that date, had an accumulated deficit of \$4,032,204 (July 31, 2018: \$2,960,094) and working capital of \$218,336 (July 31, 2018: working capital deficiency of \$683,770). Accordingly, the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. The current cash resources are not adequate to pay the Company’s accounts payable and to meet its minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs, accordingly, there is significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. CHANGE IN ACCOUNTING POLICY

During the year ended July 31, 2018, the Company changed its accounting policy, whereby upon the expiry or cancellation of stock options and agent’s warrants, their fair value previously recorded in reserve is transferred to deficit. Prior to this change in policy, the fair value of options and warrants remained in reserve even after expiry or cancellation.

These financial statements reflect the retroactive application of this accounting policy change. The impact of this retroactive application was as follows:

	<u>As Reported</u> July 31, 2017	<u>Adjustments</u> July 31, 2017	<u>Restated</u> July 31, 2017
	\$	\$	\$
Stock Options Reserve	96,595	(84,179)	12,416
Agent’s Warrants Reserve	64,109	(64,109)	-
Deficit	(2,831,891)	148,288	(2,683,603)

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

These audited consolidated financial statements were approved and authorized for issue by the Board of Directors on November 25, 2019.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss which are stated at their fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed in Note 2.

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Granite Creek (Barbados) Limited and Granite Creek (Mali) Sarl. As of, and for the year ended July 31, 2019, the wholly-owned subsidiaries were inactive.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

b) Foreign Currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

ii) Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets

Expenditures related to the acquisition, exploration, and development of exploration and evaluation assets are expensed and charged to earnings in the period in which they are incurred. Any option payments received by the Company from third parties or tax credits refunded to the Company are charged against exploration expenses in the statement of comprehensive loss.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

d) Related Party Transactions

Parties are considered 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 related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

e) Impairment of Non-Current Assets

The carrying amounts of non-current assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indications of impairment, then the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. An impairment loss exists if the asset's or cash generating unit's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized as income immediately.

f) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs.

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants.

Shares issued for other than cash consideration are valued at the quoted price on the TSX Venture Exchange based on the date the shares are issued.

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Reserves

Stock options reserve and share purchase warrants reserve are used to recognize the fair value of stock options and warrants prior to their exercise, expiry, or cancellation. Fair value of stock options and agent's warrants is determined on the date of grant using the Black-Scholes Model (Note 3(i)). Fair value of a warrant attached to a private placement unit is determined using the residual method.

h) Loss per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

i) Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option pricing model at the grant date and charged to profit over the vesting period.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon the expiry or cancellation of stock options and other share-based payments, their fair value previously recorded in reserve is transferred to deficit (Note 2).

j) Flow-Through Shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

On issuance of flow-through units, the Company allocates flow-through share proceeds into i) share capital, equal to the market value of the shares, ii) a flow-through share premium liability, equal to the estimated premium investors pay for the flow-through feature, and iii) reserve for warrants, equal to the remaining proceeds received.

The amount recorded as a liability relating to the sale of tax benefits is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renunciation is recognized in profit or loss. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation.

GRANITE CREEK COPPER LTD.

(Formerly Granite Creek Gold Ltd.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

l) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

GRANITE CREEK COPPER LTD.

(Formerly Granite Creek Gold Ltd.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Significant Accounting Estimates and Judgments (continued)

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

m) Adoption of new accounting standards

Commencing April 1, 2018 the Company adopted IFRS 9. The adoption of this new accounting standard did not have material impact to the Company's consolidated financial statements.

IFRS 9 covers classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classifications for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). The new standard eliminates the previous IAS 39 categories of held to maturity, loan and receivables, and available for sale.

Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Adoption of new accounting standards (continued)

Following is the new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	Amortized cost
Receivables	Notes and receivables	Amortized cost
Financial liabilities	Classification under IAS 39	Classification under IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Short-term loan	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS39 to IFRS 9.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Consolidated Statements of Comprehensive Income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Consolidated Statements of Comprehensive Income in the period in which they arise.

GRANITE CREEK COPPER LTD.
(Formerly Granite Creek Gold Ltd.)
Notes to the Consolidated Financial Statements
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Adoption of new accounting standards (continued)

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standard when it becomes effective, if applicable.

IFRS 16 – Leases

In January 2016, the IASB published a new standard, IFRS 16. The new standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 18 and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019.

5. EXPLORATION AND EVALUATION ASSETS

In January 2019, the Company acquired an undivided 100% interest in the Stu Copper Property in Yukon Territory, Canada, (the "**Stu Property**") from arms-length vendors (the "**Vendors**"). In consideration, the Company issued an aggregate of 3,000,000 units (each, a "**Transaction Unit**") valued at \$225,000 and granted a 3% net smelter return royalty to the Vendors on any future production on the Stu Property (the "**Royalty**"). The Company has the option to purchase up to two-thirds of the Royalty from the Vendors. The Agreement also provides that the Company will make annual advance Royalty payments of \$30,000 to the Vendors beginning in May 2022, and in each subsequent year thereafter, until the commencement of any commercial production on the Stu Property.

Each Transaction Unit was comprised of one common share and one common share purchase warrant, with each warrant exercisable into one additional common share at an exercise price of \$0.15 per share, with an expiry date of January 16, 2022.

During the year ended July 31, 2019, the Company incurred exploration expenses totaling \$243,122 on the Stu Property, which are included in the consolidated statement of comprehensive loss.

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6. LOANS PAYABLE

	July 31, 2019	July 31, 2018
	\$	\$
Ranex Exploration Ltd.	-	231,608
Other loan payable	-	47,957
	-	279,565

The loan payable to Ranex Exploration Ltd., a company controlled by the Chief Executive Officer (“CEO”) of the Company was unsecured and bore interest at 5% per annum compounded semi-annually. During the year ended July 31, 2019, the Company settled the loan with a payment of \$230,000, with the remaining balance charged to operations. Accrued interest of \$5,790 was forgiven.

Other loan payable was owed to an arm’s length party and was unsecured, non-interest bearing and had no fixed term of repayment. During the year ended July 31, 2019 the Company repaid the loan.

7. SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Share issuance details

Year Ended July 31, 2019

- (i) On January 16, 2019, the Company completed a non-brokered private placement by issuing 24,000,000 units at a price of \$0.075 per unit for gross proceeds of \$1,800,000. Each unit is comprised of one common share and one common share purchase warrant, with each warrant exercisable into one additional common share at an exercise price of \$0.20 per share, with an expiry date of January 16, 2022. In the event that the common shares close at or above \$0.30 for ten consecutive trading days, the Company may accelerate the expiry date of the warrants to expire on the thirtieth day after the date on which notice of acceleration is given by the Company. Share issue costs totaled \$6,104.

At July 31, 2019, private placement proceeds of \$51,994 had not been received and were included in receivables on the consolidated statement of financial position.

- (ii) As part of the Transaction Unit described in Note 5, the Company issued 3,000,000 common shares to the Vendors.

Year Ended July 31, 2018

The Company did not issue any shares during the year ended July 31, 2018.

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7. SHARE CAPITAL (continued)

c) Stock Options

The Company had a share purchase option plan that allowed the Board of Directors to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share purchase option plan was based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time.

On March 25, 2019, the Company announced that its shareholders unanimously approved a fixed Long-Term Performance Incentive Plan (the "LTIP") which replaces the rolling stock option plan. The Company may grant certain awards to directors, officers, employees and consultants, including stock options, to a maximum of 5,380,204 common shares. The exercise price, term and vesting period of each award are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		\$
Balance, July 31, 2017 and 2018	155,000	0.39
Granted	3,650,000	0.15
Expired	(41,666)	1.20
Cancelled	(113,334)	0.21
Balance, July 31, 2019	<u>3,650,000</u>	<u>0.15</u>

The following stock options were outstanding as at July 31, 2019:

Outstanding	Exercisable	Weighted average exercise price	Expiry date	Weighted average remaining life (in years)
		\$		
2,900,000	-	0.15	February 1, 2024	4.51
750,000	-	0.15	May 15, 2024	4.79
<u>3,650,000</u>	<u>-</u>	<u>0.15</u>		<u>4.57</u>

d) Share-based payments

The share-based payments expense for the stock options that vested during the year ended July 31, 2019 was \$193,072. The fair value of the stock options that were granted during the year ended July 31, 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.73%
Expected annual stock price volatility	83%
Expected dividend yield	0.0%
Expected option life in years	5.0
Spot price on date of grant	\$0.15

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7. SHARE CAPITAL (continued)

d) Share-based payments (continued)

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the year ended July 31, 2019, the Company reclassified \$12,416 (2018: \$Nil) from share-based payments reserve to deficit with respect to options that expired or were cancelled during the year.

e) Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, July 31, 2017 and 2018	-	-
Issued	27,000,000	0.19
Balance, July 31, 2019	27,000,000	0.19

The following warrants were outstanding as at July 31, 2019:

Outstanding	Exercisable	Weighted Average Exercise Price	Expiry Date
		\$	
24,000,000	24,000,000	0.20	January 16, 2022
3,000,000	3,000,000	0.15	January 16, 2022
<u>27,000,000</u>	<u>27,000,000</u>	<u>0.19</u>	

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the Directors and Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The amounts paid by the Company for the services provided by related parties have been determined by negotiation among the parties. These transactions are in the normal course of operations and are measured at their exchange amount.

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8. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

In addition to key management personnel, the Company transacted with the following related parties during the years ended July 31, 2019 and 2018:

- TruePoint Exploration Inc. (“**TruePoint**”), a privately held geological consulting firm controlled by Timothy Johnson, the President and CEO of the Company, Michael Rowley, a Director of the Company, is a related party through its management contracts, which confer significant influence over operations. Charges are for exploration, management, accounting and office and administration.
- 1111040 BC Ltd., a private company controlled by the President and CEO of the Company.
- MVR Consulting Inc. (“**MVR Consulting**”), a private company controlled by Michael Rowley, Director and former CFO of the Company.
- Foran Mining Corporation (“**Foran**”), a public company whose CFO, Tim Thiessen, is the CFO of the Company.
- Swiftcurrent Ventures Ltd., a private company controlled by a former Director.

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

a) Related Party Transactions

Related party transactions for the year ended July 31 were as follows:

		2019	2018
		\$	\$
Consulting and management fees	1	112,179	113,000
Share-based payments expense	2	72,124	-
Exploration and administrative support costs	3	187,254	-
		<u>371,557</u>	<u>113,000</u>

1 Consulting and management fees consisted of CEO, CFO and Corporate Secretary fees.

2 Share-based payments expense was a non-cash item that consisted exclusively of the fair value of stock options that were granted to key management personnel.

3 Exploration and administrative support costs were charged by TruePoint and consisted of \$62,969 for exploration and evaluation expenditures, \$50,974 for corporate advisory fees, \$49,054 for consulting fees, \$19,635 for investor relations fees and \$4,622 for office and administration costs.

During the year ended July 31, 2019, the Company received rental income totalling \$Nil (2018: \$1,708) from two companies with common directors.

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8. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Related Party Balances (continued)

The Company's related party balances consisted of the following at July 31:

	2019	2018
Current assets - Prepaid expenses and deposits	\$	\$
Due from TruePoint, net	1 229,908	-
Current liabilities - Due to related parties		
Due to Tim Johnson, CEO	67,991	105,175
Due to 1111040 BC Ltd.	8,400	-
Due to Michael Rowley, Director	262	55,246
Due to Tim Thiessen, CFO	6,300	-
Due to Swiftcurrent Ventures Ltd.	-	49,426
	<u>82,953</u>	<u>209,847</u>

1 This amount was the net of cash advances made to TruePoint, partially offset by charges from TruePoint for exploration, management, accounting and office and administration.

The related party balances were non-interest bearing, unsecured, and had no specified terms of repayment.

c) Insider Participation in Private Placements

A summary of insider participation in the Company's private placements for the year ended July 31, 2019 was as follows:

January 2019 Private Placement	Number of Units	Price	Proceeds
MVR Consulting	900,000	0.075	\$ 67,500
Timothy Johnson	800,000	0.075	\$ 60,000
	<u>1,700,000</u>		<u>127,500</u>

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the acquisition, exploration, and development of its exploration and evaluation assets.

The Company considers the items included in equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders.

The Company does not have any externally imposed capital requirements to which it is subject. There were no changes in the Company's approach to capital management during the year ended July 31, 2019.

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10. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, short-term loans and due to related parties. The Company has classified its financial instruments into the following categories:

Financial assets	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	Amortized cost
Receivables	Notes and receivable	Amortized cost
Financial liabilities	Classification under IAS 39	Classification under IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Short-term loan	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

b) Fair Value

The carrying values of accounts payable and accrued liabilities, due to related parties and short-term loans approximate their fair values due to the short period to maturity.

c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk.

The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at July 31, 2019, all of the Company's financial liabilities had contractual maturities of less than 90 days. The Company does not have sufficient cash to meet requirements for administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

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10. FINANCIAL INSTRUMENTS (continued)

c) Financial Risk Management (continued)

ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risk through hedging or other currency management tools and considers the risks related to foreign currency are not significant at this time. The Company is not exposed to material currency risk.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Based on the current cash balances and expected future interest rates, the Company is not exposed to material interest rate risk.

iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash. The Company mitigates such credit risk by risk management policies that require significant cash deposits or any short-term investments be invested with Canadian chartered banks rated BBB or better. All investments must be less than one year in duration.

v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

11. SUPPLEMENTAL CASHFLOW INFORMATION

	2019	2018
	\$	\$
Receivables	(23,958)	-
Prepaid expenses and deposits	(235,095)	-
GST payable	(3,492)	6,815
Accounts payable and accrued liabilities	(85,425)	135,058
	<u>(347,970)</u>	<u>141,873</u>

During the year ended July 31, 2019, the non-cash transaction consisted of the Company issuing 3,000,000 units with a value of \$225,000 to the Vendors pursuant to the purchase of the Stu Property.

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12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2019	2018
	\$	\$
Loss before income taxes	(1,084,526)	(276,491)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(292,823)	(74,653)
Increase (decrease) due to:		
Change in tax rates	-	2,765
Non-deductible expenses and other permanent differences	52,896	-
Unrecognized non-capital loss carryforwards	241,575	71,888
Tax benefit of share issue costs	(1,648)	-
Net income tax recovery	-	-

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following amounts:

	July 31, 2019	July 31, 2018
	\$	\$
Exploration and evaluation assets	236,093	170,450
Other	1,468	150
Non-capital losses	726,448	551,835
Unrecognized deferred tax assets	964,009	722,435

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

As at July 31, 2019, the Company's unrecognized Canadian non-capital losses expire as follows:

	\$
2030	132,000
2031	18,000
2032	371,000
2033	283,000
2034 - 2039	1,886,000
	<u>2,690,000</u>

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13. SUBSEQUENT EVENTS

- a) On August 8, 2019, the Company completed a non-brokered private placement for gross proceeds of \$500,000 through the issuance of 5,882,352 units of the Company at a price of \$0.085 per unit. Each unit consisted of one common share of the Company on a flow-through basis and one half non-flow-through share purchase warrant, with each full warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.20 per share with an expiry date of August 8, 2022. The gross proceeds from the private placement are intended to be used on the Company's Yukon exploration projects.
- b) On November 21, 2019, the Company entered into an agreement to acquire 26,146,233 common shares of Copper North Mining Corp. ("**Copper North**"), representing approximately 30% of the outstanding shares of Copper North, in consideration for 10,529,663 common shares of the Company. The acquisition is subject to regulatory approval.