PORTOFINO RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED

AUGUST 31, 2019 AND 2018

(Expressed in Canadian dollars)

(Unaudited)

These condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	August 31, 2019	May 31, 2019
		$	$
ASSETS			
CURRENT			
Cash		25,527	1,987
Amounts receivable	9	45,202	58,209
Taxes receivable		18,174	15,972
Prepaid expenses		25,884	46,334
Promissory notes	8	241,836	283,875
		356,623	406,377
NON-CURRENT			
Equipment	5	252	378
		356,875	406,755
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	9	145,191	115,197
EQUITY			
SHARE CAPITAL	7	3,757,407	3,757,407
CONTRIBUTED SURPLUS	7	739,791	739,791
DEFICIT		(4,285,514)	(4,205,640)
		211,684	291,558
		356,875	406,755

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Notes 6 and 12)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on October 30, 2019

/s/ "David Tafel" CEO   /s/ "Jeremy Wright" CFO

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	2019	2018
		$	$
EXPENSES			
Advertising and promotion		-	15,720
Amortization		126	126
Consulting fees		6,500	41,300
Due diligence costs		17,547	24,929
Investor communications		15,000	12,900
Management fees	9	22,500	39,750
Office		650	6,627
Professional fees	9	24,965	26,567
Rent		-	10,700
Transfer agent and filing fees		547	1,158
Travel and promotion		-	7,933
LOSS BEFORE OTHER ITEM		(87,835)	(187,710)
OTHER ITEM:			
Interest income	8	7,961	7,929
NET LOSS AND COMPREHENSIVE LOSS		(79,874)	(179,781)
LOSS PER SHARE – Basic and diluted		-	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		24,001,684	12,990,531

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, May 31, 2018	12,988,000	3,231,243	634,250	(3,152,308)	713,185
Shares issued for cash	2,875	863	-	-	863
Net loss and comprehensive loss	-	-	-	(179,781)	(179,781)
Balance, August 31, 2018	12,990,875	3,232,106	634,250	(3,332,089)	534,267
Balance, May 31, 2019	24,001,684	3,757,407	739,791	(4,205,640)	291,558
Net loss and comprehensive loss	-	-	-	(79,874)	(79,874)
Balance, August 31, 2019	**24,001,684**	**3,757,407**	**739,791**	**(4,285,514)**	**211,684**

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

	2019	2018
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(79,874)	(179,781)
Adjusted for items not affecting cash:		
Amortization	126	126
Accrued interest	(7,961)	(7,929)
Foreign exchange	-	-
Impairment of exploration and evaluation	-	-
	(87,709)	(187,584)
Changes in non-cash working capital balances:		
Amounts receivable	13,007	-
Taxes receivable	(2,203)	7
Prepaid expenses	20,450	3,144
Accounts payable and accrued liabilities	29,995	47,010
Cash used in operating activities	(26,460)	(137,423)
INVESTING ACTIVITY		
Advances of promissory notes	-	(22,477)
Receipt of promissory note	50,000	14,500
Exploration and evaluation asset	-	-
Cash used in investing activities	50,000	(7,977)
FINANCING ACTIVITIES		
Shares issued for cash	-	863
Share issuance costs	-	-
Cash provided by financing activities	-	863
CHANGE IN CASH	23,540	(144,537)
CASH, BEGINNING OF PERIOD	1,987	164,707
CASH, END OF PERIOD	25,527	20,170
SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "POR". On October 10, 2018, the Company incorporated under the laws of Argentina, Portofino Argentina S.A. which has had no transactions occurring during the three-month period ended August 31, 2019. The subsidiary is owned 95% by the Company and 5% by the Company's CEO.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2019, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company has an accumulated loss of $79,874 as at August 31, 2019 (2018: $179,781), which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give affect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on October 30, 2019.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized on a straight-line basis over 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss based on the pro-rata portion of the deferred premium. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

The Company's functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency 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 translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial instruments

IFRS 9, Financial Instruments

IFRS 9 is a standard effective for fiscal years beginning on or after January 1, 2018, which is principles-based and less complex than IAS 39, *Financial Instruments: Recognition and Measurement*, which IFRS 9 has replaced. IFRS 9 was adopted by the Company on June 1, 2018. IFRS 9 includes new guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost, at fair value through profit or at fair value through other comprehensive income (loss). The classification and measurement are based on the Company's business model for managing financial assets and on the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The adoption of the standard did not have any material impact on the Company's reporting.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

The Company classifies its financial assets and financial liabilities in the following measurement categories:

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

The classification of financial assets depends on the business model for managing the financial assets 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 the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's financial assets are cash, amounts receivable and promissory notes. Cash is classified as fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. Amounts receivable and promissory notes are classified as amortized cost.

- Financial liabilities comprise accounts payable. These financial liabilities are classified as and are measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss, as applicable.

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

The following table summarizes the classification of the Company's financial instruments under IAS 39 and the new measurement under IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	FVTPL	FVTPL
Amounts receivable	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

IFRS 9 uses an expected credit loss model impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the determination of the net realizable value related to write-down of the mineral property;

ii. the determination of fair values of share-based payments and finder's warrants; and

iii. the measurement of deferred income tax assets and liabilities.

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern;

ii. the assessment of indications of impairment of the mineral property; and

iii. the assessment of the collectability of the promissory notes.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 Corporation may have been excluded from the list below.

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

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated the potential impact of this standard on the Company's financial statements and does not anticipate any material impact on the Company's financial statements from the adoption of this standard.

5. EQUIPMENT

The net book value as at August 31, 2019 was $252 (2018: $756).

6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, May 31, 2018	69,000	209,034	278,034
Balance, August 31, 2018	69,000	209,034	278,034
	-	-	-
Balance, May 31, 2019	-	-	-
Balance, August 31, 2019	**-**	**-**	**-**

Argentina, Catamarca Province

Hombre Muerto West Lithium Brine Project

Pursuant to an option agreement date September 6, 2018 with a private Argentine concession owner (the "Hombre Muerto Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Hombre Muerto West lithium brine project in Catamarca, Argentina. The Hombre Muerto West project is comprised of two claim blocks totalling 1,804-hectares located within the Salar del Hombre Muerto.

To acquire a 100% interest in the properties, the Company has agreed to make annual escalating payments to the Hombre Muerto Optionor over a four-year period totalling US$400,000 and 1,000,000 common shares as follows:

a) An initial US$15,000 deposit (paid)
b) Within 30 days of execution of a definitive agreement-pay US$7,000 (paid)
c) Upon TSX-V Exchange approval – issue 100,000 shares
d) By the first anniversary of TSX-V Exchange approval – issue 200,000 shares and pay US$14,000,
e) By the 2nd anniversary of approval- issue 200,000 shares and pay US$44,000,
f) By the 3rd anniversary- issue 500,000 shares and pay US$100,000, and
g) By the 4th anniversary- pay US$220,000.

6. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Argentina, Catamarca Province (Continued)

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019 with a private Argentine concession owner (the “Yergo Optionor”), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the property, the Company has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US$370,000 as follows:

a) US$10,000 on signing (paid),
b) By the 1st anniversary of approval- US$20,000,
c) By the 2nd anniversary of approval- US$70,000,
d) By the 3rd anniversary of approval- US$120,000, and
e) By the 4th anniversary- US$150,000.

During 2019 the capitalized acquisition costs of both the Hombre Muerto West Lithium Brine Project and the Yergo Lithium Brine Project have been written down to $Nil to reflect their economic value.

7. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

There were no common shares held in escrow as at August 31, 2019 and 2018.

c) Issued and Outstanding as at August 31, 2019: 24,001,684 common shares

During the three-month period ended August 31, 2019

There were no shares issued during the period.

During the three-month period ended August 31, 2018

The Company issued 2,875 common shares for gross proceeds of $863 from the exercise of agent warrants.

7. SHARE CAPITAL (CONTINUED)

d) Stock Options:

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

On February 28 2019, the Company granted 1,500,000 stock options to certain officers, directors and consultants of the Company. Options vested on grant date, with exercise price of $0.08 per share until February 27, 2024. The fair value of the option was $74,054.

The fair values of the stock options were estimated using the Black Scholes option pricing model with the following assumptions:

	2019	**2018**
Share price	$0.065	$0.40
Risk free interest rate	1.83%	1.87%
Expected life	5 years	5 years
Expected volatility	108%	105%
Expected dividend	Nil	Nil

During the three-month period ended August 31, 2019, the following is a summary of changes in options:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding and exercisable, May 31, 2018	758,750	0.44
Outstanding and exercisable, August 31, 2018	758,750	0.44
Outstanding and exercisable, May 31, 2019	2,233,750	0.20
Outstanding and exercisable, August 31, 2019	2,233,750	0.20

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

Number of Options	Weighted average Exercise Price	Expiry Date	Remaining Life (in years)
358,750	$ 0.40	January 12, 2022	2.37
375,000	$ 0.48	December 29, 2022	3.33
1,500,000	$0.08	February 27, 2024	4.50
2,233,750	$ 0.20		3.65

7. SHARE CAPITAL (Continued)

e) Warrants

During the three-month period ended August 31, 2019, the following is the summary of changes in warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Outstanding, May 31, 2018	4,901,375	0.40
Exercise of warrants	(2,875)	0.48
Expiration of warrants	(166,250)	0.48
Outstanding and exercisable, August 31, 2018	4,732,250	0.40
Outstanding and exercisable, May 31, 2018	14,099,799	0.16
Outstanding and exercisable, August 31, 2019	14,099,799	0.16

The following warrants were outstanding and exercisable at August 31, 2019:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
2,289,500	$0.48 - 0.60	November 16, 2019	0.21
11,810,299	$0.08	January 23, 2021	1.40
14,099,799	0.16		0.81

8. PROMISSORY NOTES

(i) During the year ended May 31, 2018, the Company issued US$ 127,206 in promissory notes to a wholly owned subsidiary of a company with a common officer. The notes are unsecured; bear interest at 1.5% per month until December 31, 2018. Interest rose to 2.5% per month on the unpaid balances after December 31, 2018. During the year ended May 31, 2019 the Company made additional advances of US$10,000 under the same terms. As at August 31, 2019, the principal and accrued interest outstanding was $241,836.

(ii) As at August 31, 2019, the Company has promissory notes receivable of $Nil (2018: $50,000) to a company with directors in common to the Company.

9. RELATED PARTY BALANCES AND 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. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following related parties' amounts have been included in amounts receivable, accounts payable and accrued liabilities, promissory notes and prepaid expenses:

	2019	**2018**
	$	$
Amounts receivable	45,202	77,425
Accounts payable and accrued liabilities	44,457	8,821
Promissory notes	241,836	240,155
Prepaid expenses	-	3,945

The amounts are due to or advanced to companies controlled by directors of the Company. The amounts receivable, accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2019	**2018**
	$	$
Due diligence costs	-	7,635
Professional fees	15,000	15,000
Total	15,000	22,635

The Company paid due diligence costs to companies with common officers and directors. Professional fees are paid to companies controlled by the Chief Financial Officer and a Director of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

9. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	2019 $	**2018** $
Management fees	22,500	39,750

Management services were provided by companies controlled by two Directors of the Company.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at August 31, 2019 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	25,527	-	-	25,527

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2019 because of the demand nature or short‐term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	2019	2018
	$	$
Cash(i)	25,527	164,707
Amounts receivable (ii)	45,202	77,425
Promissory notes (ii)	241,836	240,155
Accounts payable (ii)	120,491	167,274

(i) FVTPL
(ii) Amortized cost

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk related to cash payments, exploration expenditures and its promissory notes that are denominated in US dollars and Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short‐term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and promissory notes. To minimize the credit risk the Company places these instruments with a high quality financial institution.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

12. SUBSEQUENT EVENTS

a) On September 26, 2019 the Company announced a binding term sheet for an option to acquire a 100% interest in the South of Otter property which will be subject to a 1.5% NSR on all mineral production. The Company has the exclusive right and option to earn 100% interest in the property by issuing to the vendor a total of 500,000 common shares of the Company and making cash payments totaling $70,000. One half (.75%) of the 1.5% NSR on all mineral production can be purchased by the Company for $400,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019

The Management Discussion and Analysis ("MD&A"), prepared on October 30, 2019 should be read in conjunction with the unaudited condensed interim financial statements for the three-month period ended August 31, 2019, together with the notes thereto of Portofino Resources Inc. ("Portofino") which were prepared in accordance with International Financial Reporting Standards.

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 520 – 470 Granville Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "POR".

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2019, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

EXPLORATION PROJECTS

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, May 31, 2018	69,000	209,034	278,034
Balance, August 31, 2018	69,000	209,034	278,034
	-	-	-
Balance, May 31, 2019	-	-	-
Balance, August 31, 2019	**-**	**-**	**-**

Argentina, Catamarca Province

Hombre Muerto West Lithium Brine Project

Pursuant to an option agreement date September 6, 2018 with a private Argentine concession owner (the "Hombre Muerto Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Hombre Muerto West lithium brine project in Catamarca, Argentina. The Hombre Muerto West project is comprised of two claim blocks totalling 1,804-hectares located within the Salar del Hombre Muerto.

To acquire a 100% interest of properties, Portofino has agreed to make annual escalating payments to the Hombre Muerto Optionor over a four-year period totalling US$400,000 and 1,000,000 common shares as follows:

a) An initial US$15,000 deposit (paid)
b) Within 30 days of execution of a definitive agreement-pay US$7,000 (paid)
c) Upon TSX-V Exchange approval – issue 100,000 shares
d) By the first anniversary of TSX-V Exchange approval – issue 200,000 shares and pay US$14,000,
e) By the 2nd anniversary of approval- issue 200,000 shares and pay US$44,000,
f) By the 3rd anniversary- issue 500,000 shares and pay US$100,000, and
g) By the 4th anniversary- pay US$220,000.

EXPLORATION PROJECTS (CONTINUED)

Hombre Muerto West Lithium Brine Project (Continued)

As at the date of this MD&A, the Hombre Muerto Optionor continues to request a renegotiation or termination of the option agreement. The Company has no interest in renegotiating the option agreement as the Company has complied fully with the terms of the agreement and it has notified the Hombre Muerto Optionor that if his actions continue, the Company will pursue arbitration and damages.

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019 with a private Argentine concession owner (the "Yergo Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the property, Portofino has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US$370,000 as follows:

a) US$10,000 on signing (paid),
b) By the 1st anniversary of approval- US$20,000,
c) By the 2nd anniversary of approval- US$70,000,
d) By the 3rd anniversary of approval- US$120,000, and
e) By the 4th anniversary- US$150,000.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial results	August 31, 2019	May 31, 2019	February 28, 2018	November 30, 2018
Net loss for the period	$ (79,874)	$ (502,898)	$ (224,554)	$ (146,099)
Comprehensive loss for the period	(79,874)	(502,898)	(224,554)	(146,099)
Basic and diluted loss per share	-	(0.03)	(0.01)	(0.01)
Balance sheet data				
Cash	$ 25,527	$ 1,987	$ 147,503	$ 15,087
Exploration and evaluation assets	-	-	278,034	278,034
Total assets	356,875	406,755	804,160	632,561
Shareholders' equity	211,684	291,558	721,620	388,167

Financial results	August 31, 2018	May 31, 2018	February 28, 2017	November 30, 2017
Net loss for the period	$ (179,781)	$ (272,322)	$ (696,432)	$ (399,977)
Comprehensive loss of the period	(179,781)	(272,322)	(696,432)	(399,977)
Basic and diluted loss per share	(0.01)	(0.04)	(0.01)	(0.05)
Balance sheet data				
Cash	$ 20,170	$ 164,707	-	$ 1,027,001
Exploration and evaluation assets	278,034	278,034	270,034	260,034
Total assets	701,541	833,449	1,047,461	1,505,623
Shareholders' equity	534,267	713,185	1,003,046	1,460,243

RESULTS OF OPERATION

Three-month period ended August 31, 2019 compared to August 31, 2018

The Company had a loss and comprehensive loss of $79,874 during the three-month period ended August 31, 2019 versus $179,781 in the comparative period, being a decrease of $99,907, or 56%.

Included in the determination of operating loss is an increase of $15,000 (2018: $12,900) on investor communications. A decrease of $Nil (2018: $15,720) on advertising and promotion, $6,500 (2018: $41,300) on consulting fees, $17,547 (2018: $24,929) on due diligence costs, $22,500 (2018: $39,750) on management fees, $650 (2018: $6,627) on office expenses, $24,965 (2018: $26,567) on professional fees, $Nil (2018: $10,700) on rent, $547(2018: $1,158) on tranfer agent and filing fees, and $Nil (2018: $7,933) on travel and promotion.

LIQUIDITY AND CAPITAL RESOURCES

During the three-month period ended August 31, 2019, Portofino had a working capital surplus of $211,432, which included a cash balance of $25,527.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. Historical exploration and administrative activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until the Company has cash flow from operations. There can be no assurance, however, that efforts will be successful. If such funds are not available or other sources of financing cannot be obtained, then we will be curtailed to a level for which funding is available or can be obtained.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

On January 4, 2019, the Company consolidated its share on a 4 for 1 basis. The Company had 51,963,500 common shares issued and outstanding and the resulting post consolidation shares outstanding are 12,990,875. All share information was updated to reflect this consolidation. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio. All references to shares, stock options and warrants are to post consolidation shares, stock options and warrants.

As of the date of this MD&A, Portofino has 24,001,684 Common shares issued and outstanding; 14,099,799 share purchase warrants and 2,233,750 share options convertible into common shares.

TRANSACTIONS WITH RELATED PARTIES

The following is a summary of the Company's related party transactions during the three-month period ended August 31, 2019:

Name	Relationship	Purpose of Transaction	August 31, 2019	August 31, 2018
Pacific Capital Advisors Inc.	Company controlled by David Tafel, CEO and director of the Company	Advisory services related to CEO duties	$22,500	$37,500
Kamas Advisors Ltd.	Director of the Company, Stephen Wilkinson	Advisory services	-	$2,250
Seatrend Strategy Group	Company controlled by Jeremy Wright, the CFO of the Company	CFO services	$15,000	$15,000

(a) (i) Management Services Agreements: Total fees of $22,500 (2018: $39,750) were paid or accrued to companies owned by David Tafel and Stephen Wilkinson, directors of the Company for administration services outside their capacity as a director.

(ii) Accounting fees: The Company paid or accrued accounting fees of $15,000 (2018: $15,000) to a company owned by Jeremy Wright, an officer of the Company.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Fair Value of Financial Instruments:

The Company's financial assets include cash, which is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at August 31, 2019 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	25,527	-	-	25,527

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2019 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	2019	**2018**
	$	$
Cash(i)	25,527	164,707
Amounts receivable (ii)	45,202	77,425
Promissory notes (ii)	241,836	240,155
Accounts payable (ii)	120,491	167,274

(i) FVTPL
(ii) Amortized cost

Financial risk management objectives and policies:

The Company's financial instruments include cash, accounts receivable, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk related to cash payments, promissory note, and exploration expenditures that are denominated in US dollars and Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Financial risk management objectives and policies: (Continued)

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and promissory notes. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

CRITICAL ACCOUNTING POLICIES

Stock-based compensation

The Company has a stock option plan, which is described in to the financial statements. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black Scholes option-pricing model to estimate the fair value of stock based compensation.

Financial instruments

IFRS 9, Financial Instruments

IFRS 9 is a standard effective for fiscal years beginning on or after January 1, 2018, which is principles-based and less complex than IAS 39, *Financial Instruments: Recognition and Measurement*, which IFRS 9 has replaced. IFRS 9 was adopted by the Company on April 1, 2018. IFRS 9 includes new guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost, at fair value through profit or at fair value through other comprehensive income (loss). The classification and measurement are based on the Company's business model for managing financial assets and on the contractual cash flow characteristics of the financial
assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The adoption of the standard did not have any material impact on the Company's reporting.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

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

CRITICAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

The classification of financial assets depends on the business model for managing the financial assets 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 the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition).

Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's financial assets are cash, amounts receivable and promissory notes. Cash is classified as fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. Amounts receivable and promissory notes are classified as amortized cost.

- Financial liabilities comprise accounts payable. These financial liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss, as applicable.

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

The following table summarizes the classification of the Company's financial instruments under IAS 39 and the new measurement under FIRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	FVTPL	FVTPL
Amounts receivable	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost

IFRS 9 uses an expected credit loss model impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

SUBSEQUENT EVENTS

Please refer to note 12 of the audited financial statements for the three-month period ended August 31, 2019.