



QUARTZ MOUNTAIN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Unaudited)

(Expressed in Canadian Dollars, unless otherwise stated)

NOTICE TO READERS

In accordance with subsection 4.3(3) of National Instrument 51-102, management of the Company advises that the Company's auditors have not performed a review of these condensed interim consolidated financial

QUARTZ MOUNTAIN RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	January 31, 2019	July 31, 2018
Assets			
Current assets			
Cash		\$ 141,297	\$ 67,205
Amounts receivable and other assets	3	13,375	7,828
		154,672	75,033
Non-current assets			
Mineral property interests	4	1	1
Total assets		\$ 154,673	\$ 75,034
Liabilities and Shareholders' Deficiency			
Current liabilities			
Amounts payable and other liabilities	6	\$ 23,619	\$ -
Due to related parties	7	3,052,504	2,916,973
		\$ 3,076,123	\$ 2,916,973
Shareholders' deficiency			
Share capital	5(a)	26,548,981	26,548,981
Reserves		592,011	592,011
Accumulated deficit		(30,062,442)	(29,982,931)
Total shareholders' deficiency		(2,921,450)	(2,841,939)
Total liabilities and shareholders' deficiency		\$ 154,673	\$ 75,034

Nature and continuance of operations (note 1)

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

/s/ Trevor Thomas

Trevor Thomas
Director

/s/ Leonie Tomlinson

Leonie Tomlinson
Director

QUARTZ MOUNTAIN RESOURCES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

		<u>Three months ended January 31,</u>		<u>Six months ended January 31,</u>	
	Note	2019	2018	2019	2018
Expenses					
General and administration					
Legal, accounting and audit		380	4,052	16,584	21,234
Office and miscellaneous		12,143	14,782	23,694	66,211
Regulatory, trust and filing		6,176	12,303	14,010	20,570
Salaries and benefits	7(b)	7,296	24,658	24,412	46,925
Operating expenses		(25,995)	(55,795)	(78,700)	(154,940)
Other items					
Interest income		362	343	577	1,004
Foreign exchange loss		(205)	(66)	(155)	(482)
Finance expense	7(c)	(1,233)	-	(1,233)	-
Income (loss) and comprehensive income (loss) for the period		\$ (27,071)	\$ (55,518)	\$ (79,511)	\$ (154,418)
Basic and diluted income (loss) per common share		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding (basic and dilutive)		3,347,137	3,347,137	3,347,137	3,347,137

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

QUARTZ MOUNTAIN RESOURCES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOLDERS' D**

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Reserves</u>		Total shareholders' deficiency
	Number of shares	Amount	Equity-settled share-based payments	Accumulated deficit	
Balance at August 1, 2017	2,929,989	\$ 26,090,118	\$ 592,011	\$ (29,748,464)	\$ (3,066,335)
Shares issued pursuant to private placement	417,148	\$ 458,863	-	-	458,863
Loss for the period	-	-	-	(154,418)	(154,418)
Balance at January 31, 2018	3,347,137	26,548,981	\$ 592,011	\$ (29,902,882)	\$ (2,761,890)
Balance at August 1, 2018	3,347,137	\$ 26,548,981	\$ 592,011	\$ (29,982,931)	\$ (2,841,939)
Loss for the period	-	-	-	(79,511)	(79,511)
Balance at January 31, 2019	3,347,137	\$ 26,548,981	\$ 592,011	\$ (30,062,442)	\$ (2,921,450)

QUARTZ MOUNTAIN RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	Six months ended January 31,	
		2019	2018
Operating activities			
Income (loss) for the period		\$ (79,511)	\$ (154,418)
Adjusted for:			
Interest income		(577)	(1,004)
Changes in working capital items:			
Amounts receivable and other assets		(5,547)	(15,886)
Amounts payable and other liabilities		23,619	3,318
Due to related parties	7(b)	34,298	(384,754)
Net cash used in operating activities		(27,718)	(552,744)
Investing activities			
Interest received		577	1,004
Net cash provided by investing activities		577	1,004
Financing activities			
Proceeds from related party loan	7(c)	100,000	-
Interest accrued on related party loan		1,233	-
Net cash used in financing activities		101,233	-
Decrease in cash		74,092	(92,877)
Cash, beginning of the period		67,205	225,910
Cash, end of the period		\$ 141,297	\$ 133,033

QUARTZ MOUNTAIN RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE AND CONTINUANCE OF OPERATIONS

Quartz Mountain Resources Ltd. ("Quartz Mountain" or the "Company") is a Canadian public company incorporated in British Columbia on August 3, 1982. The Company's corporate office is located at 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia, Canada. The Company most recently focused on evaluating mineral prospects for potential acquisition and exploration in British Columbia. The Company continues to investigate potential opportunities. During the year ended July 31, 2018, the Company consolidated its share capital on a ten-to-one basis. These consolidated financial statements reflect the share consolidation; all common shares have been retroactively restated.

These condensed interim consolidated financial statements (the "Financial Statements") of the Company as at and for three and six months ended January 31, 2019, include Quartz Mountain Resources Ltd. and its subsidiaries (together referred to as the "Company"). Quartz Mountain Resources Ltd. is the ultimate parent entity of the group.

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As at January 31, 2019, the Company had cash of \$141,297, a working capital deficit, and negative net assets. The Company's continuing operations are dependent upon new projects, the ability of the Company to obtain the necessary financing to complete exploration of any new projects, the ability to obtain the necessary permits to explore, develop and mine new projects, and the future profitable production of any mine. These material uncertainties raise substantial doubt on the ability of the Company to continue as a going concern.

Substantially all of the Company's liabilities at January 31, 2019, were payable to Hunter Dickinson Services Inc. ("HDSI"), a related party with whom the Company has reached a debt settlement agreement (note 7(b)).

Additional debt or equity financing will be required to fund acquisition of mineral property interests. There can be no assurance that the Company will be able to obtain additional financial resources or achieve positive cash flows. If the Company is unable to obtain adequate additional financing, it will need to curtail its expenditures further, until additional funds can be raised through financing activities.

These Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and its interpretations. Accordingly, they do not include all of the

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information and note disclosures as required by International Financial Reporting Standards ("IFRS") for annual financial statements.

The accounting policies and methods of computation applied by the Company in these Financial Statements are the same as those applied by the Company in its most recent annual consolidated financial statements filed on the Company's profile on SEDAR at www.sedar.com. These Financial Statements should be read in conjunction with the Company's financial statements as at and for the year ended July 31, 2018. Results for the period ended January 31, 2019, are not necessarily indicative of future results.

Issuance of these Financial Statements was authorized by the Company's Board of Directors on March 5, 2019.

(b) Basis of presentation

These Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Significant accounting estimates and judgments

The preparation of these Financial Statements in conformity with IAS 34 involved use of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such estimates.

In preparing these Financial Statements, significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended July 31, 2018.

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and the subsidiaries that it controls. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation.

At January 31, 2019, and July 31, 2018, the Company held a 100% interest in QZMG Resources Ltd., a company that holds a 100% interest in Wavecrest Resources Inc.

(e) Changes in accounting policies and new accounting pronouncements

New standards and interpretations issued by IASB, or modification of existing standards, applicable during the current period do not have material impact on these Financial Statements.

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3. AMOUNTS RECEIVABLE AND OTHER ASSETS

	January 31, 2019	July 31, 2018
Current:		
Sales tax receivable	\$ 883	\$ 1,321
Prepaid insurance	12,492	6,491
Vendor credit	–	16
Total	\$ 13,375	\$ 7,828

4. MINERAL PROPERTY INTERESTS

	January 31, 2019	July 31, 2018
Angel's Camp royalty	\$ 1	\$ 1

Angel's Camp Property

The Company retains a 1% net smelter return royalty payable to the Company on any production from the Angel's Camp property located in Lake County, Oregon. The royalty is recorded at a nominal amount of \$1.

5. CAPITAL AND RESERVES

(a) Authorized share capital

At January 31, 2019, the authorized share capital of the Company comprised an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. All issued common shares are fully paid.

On December 27, 2017, the Company completed a private placement and issued 417,148 common shares at a price of \$1.10 for gross proceeds of \$458,863.

(b) Stock Consolidation

On December 29, 2017, the Company announced consolidation (the "Consolidation") of its common shares on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares effective on January 2, 2018. The Consolidation was approved by the TSX-V, and a related bulletin was issued by TSX-V on December 29, 2017.

The Consolidation was undertaken to better position the Company to pursue its business plan. Prior to the Consolidation, the Company had 33,470,995 common shares outstanding. Following the

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Consolidation, the Company has 3,347,137 common shares outstanding. The Company's name was not changed in conjunction with the Consolidation.

6. AMOUNTS PAYABLE AND OTHER LIABILITIES

	January 31, 2019	July 31, 2017
Amounts payable	\$ 23,619	\$ –

7. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Transactions with Key Management Personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include the directors of the Company.

The Company compensated key management personnel as follows:

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
Short-term employee benefits, including salaries	\$ 3,450	\$ 10,000	\$ 10,150	\$ 21,500

Short-term employee benefits include salaries, and amounts paid to HDSI (note 7(b)) for services provided to the Company by certain HDSI personnel who serve as directors or officers of the Company.

(b) Entities with Significant Influence over the Company

The Company's management believes that HDSI, a private entity, has the power to participate in the financial or operating policies of the Company. Robert Dickinson is a director of both the Company and HDSI. Michael Lee and Trevor Thomas are officers of the Company and are employees of HDSI.

HDSI provides technical, geological, corporate communications, regulatory compliance, and administrative and management services to the Company, on an as-needed and as-requested basis from the Company. Because of this relationship, the Company has ready access to a range of diverse and specialized expertise on a regular basis, without having to engage or hire full-time experts. Services from HDSI are provided on a non-exclusive basis. The Company is not obligated to acquire any minimum amount of services from HDSI. The value of services received from HDSI is determined based on a charge-out rate for each employee performing the service and for the time spent by the employee. Such charge-out rates are agreed and set annually in advance.

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HDSI also incurs third-party costs on behalf of the Company; such third-party costs are reimbursed by the Company to HDSI at cost without any markup and such costs include, for example, directors and officers insurance, travel, conferences, and communication services.

Transactions with HDSI parties were as follows:

	Three months ended January 31		Six months ended January 31	
	2019	2018	2019	2018
Services received based on management services agreement	\$ 7,297	\$ 20,382	\$ 24,412	\$ 47,544
Reimbursement of third party expenses paid	\$ 3,723	\$ 4,581	\$ 8,252	\$ 24,306

Outstanding balances were as follows:

	January 31, 2019	July 31, 2018
Balance payable to HDSI	\$ 2,951,271	\$ 2,916,973

In January 2016, the Company and HDSI reached a settlement agreement whereby HDSI agreed to forgive the balance due to HDSI in the net amount of \$3,086,089 if the Company completes the following:

- makes a cash payment of \$180,207; and
- issues 600,000 shares

The cash payment of \$180,207 has been paid. Completion of the share portion of the settlement agreement with HDSI has been deferred and will occur at a mutually agreed date.

(c) Related Party Loan

In December 2018, the Company entered into a loan agreement with United Mineral Services, Ltd. (the "Lender"), a related party, pursuant to which the Lender advanced to the Company a principal sum of \$100,000 with a six-month term and at an interest rate of 10% per annum calculated monthly and payable quarterly. As of January 31, 2019, interest of \$1,233 has accrued on the loan.

8. OPERATING SEGMENTS

The Company operates in a single reportable operating segment – the acquisition, exploration and evaluation of mineral property interests. The Company is currently focused on the acquisition and exploration of mineral property interests in Canada. The Company's only long-term asset is located in the USA.