FALCON GOLD CORP.

Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

Table of Contents
June 30, 2019 and 2018

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-27

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Falcon Gold Corp. and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial and operating data elsewhere in the Management Discussion and Analysis are consistent with the information contained in the consolidated financial statements.

In fulfilling their responsibilities, management of Falcon Gold Corp. has developed and continues to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of a majority of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited by Elliott Manning LLP, who had full access to the Audit Committee, with and without the presence of management.

(signed)
Karim Rayani
Chief Executive Officer

(signed)
Brian Crawford
Chief Financial Officer

Vancouver, British Columbia
October 25, 2019

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Falcon Gold Corp.

Opinion

We have audited the consolidated financial statements of Falcon Gold Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 of the accompanying financial statements, which indicates that the Company had accumulated losses of $7,046,503. 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audit of the consolidated 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 audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditors' 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 auditors' 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 consolidated 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 audits. 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 auditors' 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. We remain solely responsible for our audit opinion.

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 audits.

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 auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
October 25, 2019

	As at June 30, 2019	As at June 30, 2018
Assets		
Current assets		
Cash	$ 52,883	$ 31,928
Receivable	2,302	9,913
Prepaid expenses	25,350	65,683
	80,535	107,524
Exploration and evaluation assets (Note 4)	86,832	1,353,334
	$ 167,367	$ 1,460,858
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 528,035	$ 416,170
Loans payable (Note 9)	99,000	-
	627,035	416,170
Shareholders' equity (deficiency)		
Share capital (Note 5)	5,637,864	5,484,381
Contributed surplus (Note 5)	948,971	943,764
Deficit	(7,046,503)	(5,383,457)
	(459,668)	1,044,688
	$ 167,367	$ 1,460,858

Nature of Operations and Going Concern (Note 1)
Events after the Reporting Period (Note 10)

Approved by the Board of Directors

"Karim Rayani" ______________________ Director

"Brian Crawford" ______________________ Director

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

Years ended June 30	**2019**	**2018**
Operating expenses		
Filing fees and communication	$ 21,683	$ 23,845
General and administration costs (Note 9)	280,175	362,939
Property investigation	-	24,743
Professional fees	38,397	21,976
Share-based payments (Note 7)	-	47,207
Loss before other income	(340,255)	(480,710)
Other income (expense)		
Write down of mineral properties (Note 4)	(22,300)	-
Impairment of mineral properties (Note 4)	(1,308,291)	-
Mineral property option payments in excess of capitalized cost (Note 4)	7,800	-
Loss and comprehensive loss	$ (1,663,046)	$ (480,710)
Basic and diluted loss per share	$ (0.05)	$ (0.02)
Weighted average number of shares outstanding	36,270,047	24,451,937

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

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Accumulated Deficit	Total
Balance, June 30, 2017	20,026,184	$ 4,920,328	$ 888,310	$ (4,902,747)	$ 905,891
Shares issued for cash	12,490,000	562,000	-	-	562,000
Share issue costs-cash	-	(9,700)	-	-	(9,700)
Shares issue costs-broker warrants	-	(8,247)	8,247	-	-
Shares issued-exercise of warrants	300,000	15,000	-	-	15,000
Share issued for mineral properties	100,000	5,000	-	-	5,000
Share based compensation	-	-	47,207	-	47,207
Loss and comprehensive loss	-	-	-	(480,710)	(480,710)
Balance, June 30, 2018	32,916,184	5,484,381	943,764	(5,383,457)	1,044,688
Shares issued for cash	5,024,000	175,840	-	-	175,840
Share issue costs-cash	-	(25,350)	-	-	(25,350)
Share issue costs-broker warrants	-	(5,207)	5,207	-	-
Shares issued for mineral properties	180,000	8,200	-	-	8,200
Loss and comprehensive loss	-	-	-	(1,663,046)	(1,663,046)
Balance, June 30, 2019	38,120,184	$ 5,637,864	$ 948,971	$ (7,046,503)	$ (459,668)

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

FALCON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

Years ended June 30	2019	2018
Operating activities		
Net loss for the year	$ (1,663,046)	$ (480,710)
Items not affecting cash		
Share-based payments	-	47,207
Write down of mineral properties	22,300	-
Impairment of mineral properties	1,308,291	-
Mineral property option payments received in excess of capitalized costs	(7,800)	-
Change in non-cash working capital:		
Receivables	7,611	(3,522)
Prepaid expenses	40,333	(40,124)
Accounts payable and accrued liabilities	111,865	26,041
Net cash used in operating activities	(180,446)	(451,108)
Financing activities		
Issuance of common shares	150,490	517,300
Loans payable	99,000	-
Net cash provided by financing activities	249,490	517,300
Investing activities		
Investment in and expenditures on exploration and evaluation assets	(73,089)	(40,043)
Mineral property option payments received	25,000	-
Net cash used in investing activities	(48,089)	(40,043)
Net change in cash	20,955	26,149
Cash, beginning of year	31,928	5,779
Cash, end of year	$ 52,883	$ 31,928

Supplemental schedule of non-cash transactions:

Mineral property acquisition	$ 8,200	$ 5,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Falcon Gold Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The address of the Company's registered office in British Columbia is 439 Helmcken Street, Vancouver, British Columbia V6B 2E6 and the address of the Company's office in Ontario is 855 Brant Street, Burlington, Ontario, L7R 2J6. The Company's shares are listed on the TSX Venture Exchange.

The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. At June 30, 2019, the Company has accumulated losses of $7,046,503 since inception and will continue to incur further losses in the development of its business. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

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

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2019. The Board of Directors approved the consolidated financial statements on October 25, 2019.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional Currency

The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Currency - continued

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Manhattan Minerals Inc. and 2287991 Ontario Inc.

The consolidated financial statements include the financial statements of subsidiaries subject to control by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations and comprehensive loss for the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions and balances are eliminated on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Company.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation assets

The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written down to the estimated recoverable amount in the statement of loss and comprehensive loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, interest rates and dividend yield and expected vesting dates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Cash

Cash includes cash on hand and deposits held at call with banks.

Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares and share purchase warrants issued on acquisition, based on the trading price of the shares on the date of the shares are issued.

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production 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, as soon as the obligation to incur such costs arises. 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 a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2019 and June 30, 2018 as the disturbance to date is minimal.

Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based Payments

The fair value of share options granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company.

In situations where share options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identified goods or services received at the grant date.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate.

All equity settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issue costs are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as warrants in shareholders' equity. Share issue costs are netted against share proceeds on a pro rata basis.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at June 30, 2019 and June 30, 2018.

Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of operations and comprehensive loss. Cash is classified as FVTPL.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities, and loans payable are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net loss.

Impairment of financial assets:

A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Financial instruments recorded at fair value:

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Adoption of new accounting standards

(i) IFRS 9 *Financial Instruments* (“IFRS 9”)

On July 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), introduces new requirements for the recognition and measurement of financial assets and liabilities, a single, forward looking "expected loss" impairment model and a reformed approach to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules previously under IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The International Accounting Standards Board ("IASB") requires an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

Application of IFRS 9 to the Company's other financial instruments also has no impact on the Company's financial position or results of operations and there is no financial impact that requires disclosure.

IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”)

On July 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue, IAS 11 – Construction Contracts and the related interpretations. In adopting the guidance, the Company has opted to use the modified retrospective basis in accordance with the transitional provisions of IFRS 15 whereby the cumulative effect of initially applying the standard has been recognized as an adjustment to the opening deficit at April 1, 2018 and comparative figures are not restated and continue to be reported under the accounting standards in effect for those periods.

The Company has no revenue and management has determined that the application of IFRS 15 did not result in any adjustment to the financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after July 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) IFRS 16 *Leases* ("IFRS 16") eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company does not anticipate a significant impact on the financial results from adopting the standard.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2019. The Company is not subject to externally imposed capital requirements.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

	June 30, 2019	June 30, 2018
Cash	$ 52,883	$ 31,928

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying 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

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of June 30, 2019. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

During the year ended June 30, 2019, the Company was not exposed to material foreign currency risk.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company has no financial instruments exposed to other price risk.

4. EXPLORATION AND EVALUATION ASSETS

	Coomer Lake Property	McCaul Hutchison Property	Central Canada Property	Burton Property	Wabunk Bay Property	Esperanza Property	Total
Balance June 30, 2017	$ -	$ -	$ -	$ 1,308,291	$ -	$ -	$ 1,308,291
Acquisition cost	-	7,500	9,000	-	6,000	22,543	45,043
Deferred exploration expenditures	-	-	-	-	-	-	-
Write-down	-	-	-	-	-	-	-
Balance June 30, 2018		$ 7,500	$ 9,000	$ 1,308,291	$ 6,000	$ 22,543	$ 1,353,334
Option payments received	-	-	-	-	(25,000)	-	(25,000)
Option payments received in excess of carrying costs	-	-	-	-	7,800	-	7,800
Acquisition cost	22,300	25,500	2,500	-	11,200	-	61,500
Deferred exploration expenditures	-	562	-	-	-	19,227	19,789
Write down	(22,300)	-	-	-	-	-	(22,300)
Impairment	-	-	-	(1,308,291)	-	-	(1,308,291)
Balance June 30, 2019	$ -	$ 33,562	$ 11,500	$ -	$ -	$ 41,770	$ 86,832

McCaul Hutchinson Property

The McCaul Hutchinson Property consists of a claim group located in McCaul and Hutchinson Townships, east of Atikokan in Northern Ontario. The McCaul Hutchison Property consists of 6 unpatented mining claims consisting of 55 claim units.

The McCaul Hutchinson Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the McCaul Hutchinson Property by making escalating cash payments of $250,000 and issuing 400,000 common shares over a four- year period.

Central Canada Property

The Central Canada Property consists of a claim group located in Hutchinson Township, east of Atikokan in Northern Ontario. The Central Canada Property consists of 7 unpatented mining claims consisting of 55 claim units.

The Central Canada Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

4. EXPLORATION AND EVALUATION ASSETS – continued

Central Canada Property – continued

The Company can acquire a 100% interest in the Central Canada Property by making escalating cash payments of $141,500 and issuing 325,000 common shares over a four- year period. In addition, the Company must carry out exploration and evaluation expenditures of $10,000, $20,000, $30,000 and $40,000 during years 1 through 4 respectively.

Wabunk Bay Property

The Wabunk Bay Property consists of a claim group located in Earngey Township in Northern Ontario. The Wabunk Bay Property consists of 2 unpatented mining claims consisting of 19 claim units.

The Wabunk Bay Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Wabunk Bay Property by making escalating cash payments of $200,000 and issuing 300,000 common shares over a four- year period.

During the 2018 fiscal year, the Company and Vatic Ventures Corp. entered into a memorandum of understanding whereby Vatic has an option to earn a 60% interest in the Wabunk Bay property by making an initial cash payment in the amount of $25,000 and a further cash payment of $275,000 before the first anniversary of the agreement. In addition, Vatic must issue an initial tranche of 200,000 units of Vatic to the Company with each unit consisting of one common share and one common share purchase warrant exercisable for a period of two years at $0.25 per share followed by an additional 200,000 units prior to the first anniversary of the agreement on the same terms as the initial units. Vatic must also incur exploration and evaluation expenditures of $750,000 within the twelve months prior to the first anniversary of the agreement.

During the year, the Company received a non-refundable cash amount of $25,000 as contemplated by the memorandum of understanding following which the memorandum of understanding was terminated by mutual consent.

Coomer Lake Property

The Coomer Lake Property consists of 101 claim units located in the James Bay lowlands approximately 250 km north of Nakina, Ontario.

The Coomer Lake Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company could acquire a 100% interest in the Coomer Lake Property by making escalating cash payments of $185,000 issuing 400,000 common shares over a four-year period and incurring exploration and evaluation expenditures totalling $400,000 over a five-year period. During the year, the option to acquire the Coomer Lake Property was terminated by mutual consent.

4. EXPLORATION AND EVALUATION ASSETS – continued

Esperanza Property

The Esperanza Property is comprised of seven mineral concessions within the Sierra de Las Minas District of La Rioja and San Luis provinces in Argentina.

The Company can earn an 80% interest in the Esperanza Property by making escalating annual payments totalling US$500,000 and issuing 4,000,000 common shares over a six year period. In addition, the Company must incur exploration and evaluation expenditures of US$1,750,000 over a six year period. Subsequent to acquiring an 80% interest in the Ezperanza Property, the Company will have an option to acquire the remaining 20% of the property for a cash payment of US$4,000,000 plus a 1% net smelter royalty.

Burton Property

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario. The Burton Property consists of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of $1,500,000 at any time.

During the fiscal year ended June 30, 2012, the Company entered into a Mining Option Agreement (the “Agreement”) with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) (“Trelawney”) whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two year period from the date of signing of the Agreement.

As of June 30, 2015, and June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property. The option for Trelawney to acquire an additional 24% interest in the Burton Property has lapsed.

During the year ended June 30, 2019, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past four fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. Consequently, the Company recorded impairment in the amount of $1,308,291 in connection with the Burton Property.

5. SHARE CAPITAL

Authorized
Unlimited number of common shares

On August 15, 2016, the Company consolidated its shares on a 5 for 1 basis. Particulars of the share consolidation were approved by the shareholders at the Company's AGM on January 14, 2016. The Company had 42,185,496 common shares issued and outstanding and the resulting post consolidation shares outstanding are 8,437,099. 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.

Issued

	Number of Shares	Share Capital	Contributed Surplus
Balance June 30, 2017	20,026,184	$ 4,920,328	$ 888,310
Shares issued for cash	12,490,000	562,000	-
Share issue costs-cash	-	(9,700)	-
-broker warrants	-	(8,247)	8,247
Shares issued-exercise of warrants	300,000	15,000	
Shares issued for mineral properties	100,000	5,000	
Share based compensation	-	-	47,207
Balance June 30, 2018	32,916,184	5,484,381	943,764
Shares issued for cash	5,024,000	175,840	-
Share issue costs-cash	-	(25,350)	-
-broker warrants	-	(5,207)	5,207
Shares issued for mineral properties	180,000	8,200	
Balance June 30, 2019	38,120,184	$ 5,637,864	$ 948,971

Share Issuances
During the year ended June 30, 2019:

a. On July 11, 2018, the Company issued 30,000 common shares at $0.04 per share as partial consideration for the acquisition of mineral properties.

b. On October 11, 2018, the Company issued 50,000 common shares at $0.04 per share as partial consideration for the acquisition of mineral properties.

c. On November 7, 2018, the Company issued 5,024,000 units at $0.035 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.05. Finders' fees have been paid and consist of $25,350 and 150,000 broker warrants exercisable for common shares on the same basis as the subscribers.

d. On April 25, 2019, the Company issued 100,000 common shares at $0.05 per share as partial consideration for the acquisition of mineral properties.

5. SHARE CAPITAL – continued

During the year ended June 30, 2018:

a. On July 13, 2017, the Company issued 1,820,000 units at $0.05 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.08. The financing included $45,000 of shares subscriptions receivable.

b. On December 29, 2017, the Company issued 6,250,000 units at $0.04 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share at a price of $0.05 for the first twelve months following the date of issue and at a price of $0.08 for the second twelve months from the date of issue. Finders' fees have been paid and consist of $9,700 and 242,500 broker warrants exercisable for common shares on the same basis as the subscribers. The financing included $5,000 of share subscriptions receivable.

c. On April 12, 2018, the Company issued 100,000 common shares at $0.05 per share as partial consideration for the acquisition of mineral properties.

d. On May 18, 2018, the Company issued 4,420,000 units at $0.05 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10.

e. On June 6, 2018, the Company issued 300,000 common shares at $0.05 per share pursuant to the exercise of share purchase warrants.

6. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	12,092,272	$ 0.10
Issued during the year	12,490,000	$ 0.08
Exercised during the year	(300,000)	$ (0.05)
Balance June 30, 2018	24,282,272	$ 0.09
Issued during the year	5,024,000	$ 0.05
Expired during the year	(12,092,272)	$ (0.10)
Balance June 30, 2019	**17,214,000**	**$ 0.07**

6. WARRANTS – continued

The following warrants are outstanding at June 30, 2019:

Number of warrants	Exercise price per warrant	Expiry date
1,820,000	$0.08	July 13, 2019
5,950,000	$0.05	December 29, 2019
4,420,000	$0.10	May 18, 2020
5,024,000	$0.05	November 7, 2020
17,214,000		

During the year ended June 30, 2019 the Company granted 150,000 broker warrants as part of the private placement. The broker warrants have been valued using the black scholes valuation model using a share price at grant date of $0.04, exercise price of $0.05, annual volatility of 220%, risk-free interest rate of 1.20%, dividend yield of 0%, forfeiture rate of 0% and expected life of 2 years. As at June 30, 2019 there are 392,500 broker warrants outstanding, 242,500 of which expire on December 29, 2019 and 150,000 of which expire on November 7, 2020.

7. SHARE-BASED PAYMENTS

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the "Exchange") under which it is authorized to grant options to directors, officers, employees and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

A summary of the status of the stock option plan and changes for the year ended June 30, 2019 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
2018							
Aug 21, 2014	Aug 21, 2019	$0.75	280,000	-	-	280,000	280,000
Sept 7, 2016	Sept 7, 2021	$0.10	1,200,000	-		1,200,000	1,200,000
May 1, 2018	May 1, 2023	$0.06	1,200,000	-	-	1,200,000	1,200,000
			2,680,000	-	-	2,680,000	2,680,000
Weighted average exercise price			$0.15	-	-	$0.15	$0.15

The weighted average remaining contractual life of options outstanding at June 30, 2019 was 2.71 years (2018 – 3.71 years).

7. SHARE-BASED PAYMENTS - continued

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the years ended June 30, 2019 and 2018 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
May 1, 2018	May 1, 2023	$0.04	$0.06	2.18%	5 years	235%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options.

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $nil (2018- $47,207).

8. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2019	2018
Loss before income taxes	**$ (1,663,046)**	$ (480,710)
Statutory tax rates	**26.00%**	26.00%
Recovery based on statutory rates	**(423,000)**	(125,000)
Non-deductible expenses and other items	**(33,000)**	12,000
Change in unrecognized deferred tax assets	**456,000**	113,000
Deferred income tax recovery	**$ -**	$ -

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

	2019	2018
Non-capital loss carry-forwards	**$ 1,114,000**	$ 1,004,000
Share issuance costs	**10,000**	7,000
Capital property	**13,000**	14000
Mineral property	**480,000**	136,000
	1,617,000	1,161,000
Offset against deferred tax liabilities	**-**	-
Unrecognized deferred tax asset	**(1,617,000)**	(1,161,000)
Deferred tax assets	**-**	-
Mineral property	**-**	-
Offset against deferred tax assets	**-**	-
Deferred tax liabilities	**-**	-
Net deferred tax balance	**$ -**	$ -

The Company has accumulated Canadian non-capital losses of $3,917,000 up to June 30, 2019 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between the years 2027 to 2039. The Company has US tax losses of $150,000 expiring 2030 to 2039.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

9. RELATED PARTY TRANSACTIONS – continued

The Company had the following transactions in the normal course of operations with related parties:

	Year Ended			
	$	June 30, 2019	$	June 30, 2018
Management fees (i)		82,125		93,950
Consulting (ii)		41,500		63,195
Share-based payments		-		15,841

(i) The Company paid or accrued $46,125 (2018 - $57,950) in management fees to the President of the Company; and $36,000 (2018 - $36,000) to the CFO of the Company.

(ii) The Company paid or accrued consulting fees to directors in the amount of $41,500 (2018 - $63,195).

Accounts payable and accrued liabilities include $203,197 (2018 - $130,683) due to related parties. Loans payable include $4,000 (2018 - $Nil) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

10. EVENTS AFTER THE REPORTING PERIOD

On July 13, 2019, 1,820,000 share purchase warrants expired unexercised.

On July 15, 2019 and July 25, 2019, pursuant to a non-brokered private placement, the Company issued 15,580,000 and 3,100,000 units respectively at a price of $0.025 per unit for cash proceeds of $467,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.05 for a period of twenty-four months from the date of issue. The financing included the conversion of loans payable in the amount of $95,000.

On August 21, 2019, 280,000 stock options expired unexercised.

On August 23, 2019, the Company granted 2,000,000 stock options to officers, directors and consultants. The options vested immediately, are exercisable at $0.05 per share and expire five years from the date of grant.

On August 26, 2019, 150,000 stock options were cancelled.

On September 9, 2019, the Company staked 182 hectares in proximity to the Wabunk Bay Property.

On September 18, 2019, the Company entered into an option agreement to acquire a 100% interest in the Bruce Lake Property and the Camping Lake Property located near the town of Red Lake in Northern Ontario. The Company can earn a 100% interest in the Bruce Lake property and the Camping Lake property by issuing 500,000 common shares with respect to each property and making escalating cash payments totalling $123,000 over a four-year period.

On September 23, 2019, 400,000 stock options were cancelled.

On September 30, 2019, 425,000 stock options expired unexercised.

10. EVENTS AFTER THE REPORTING PERIOD – continued

On October 15, 2019, the Company and a creditor agreed to settle outstanding amounts of $52,512 by the issue of 300,000 common shares. Regulatory approval is required.

On October 15, 2019, the Company amended the option agreement to acquire the Esperenza Property. The amended agreement requires the Company to issue 5,500,000 common shares and carry out exploration and evaluation expenditures of $1.6 million USD over a period of six years.

On October 22, 2019, the Company entered into a binding term sheet with International Montoro Resources Inc. ("Montoro") whereby Montoro can earn a 51% interest in the Camping Lake property by assuming the Company's cash payment obligations pursuant to the Company's option to acquire the Camping Lake property, by making cash payments to the Company in the amount of $65,000, issuing to the Company 1.5 million Montoro shares, and incurring $300,000 of exploration and evaluation expenditures, over a four year period. The transaction is subject to regulatory approval.