Trifecta Gold Ltd.

Condensed Interim Financial Statements

For the six months ended

June 30, 2019

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

Trifecta Gold Ltd.
#1016 – 510 West Hastings Street
Vancouver, British Columbia
V6B 1L8

August 27, 2019

To the Shareholders of
Trifecta Gold Ltd.

The attached condensed interim financial statements have been prepared by the management of Trifecta Gold Ltd. and have not been reviewed by the auditor of the Company.

Yours truly,

Richard Drechsler
Chief Executive Officer

Trifecta Gold Ltd.

Condensed Interim Statements of Financial Position

Unaudited – Prepared by Management

As at June 30, 2019 and December 31, 2018

	Note	**June 30, 2019 $**	December 31, 2018 $
Assets			
Current assets			
Cash		135,885	341,493
Receivables and prepayments	3	21,997	17,390
Marketable securities	4	10,200	37,500
		168,082	396,383
Non-current assets			
Mineral property interests	5	2,095,736	2,113,855
Total assets		**2,263,818**	2,510,238
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		2,086	45,005
Accounts payable to related parties	8	35,784	36,997
Total liabilities		**37,870**	82,002
Shareholders' equity			
Share capital	6	4,022,310	3,935,310
Contributed surplus	6	307,679	310,802
Deficit		(2,104,041)	(1,817,876)
Total shareholders' equity		**2,225,948**	2,428,236
Total liabilities and shareholders' equity		**2,263,818**	2,510,238
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors on August 27, 2019:

"Bruce J. Kenway" **Director** *"Graham Downs"* **Director**

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

Condensed Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

For the six months ended June 30, 2019 and June 30, 2018

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2018	30,565,001	3,679,426	130,398	(1,414,035)	2,395,789
Common shares issued for mineral properties	100,000	10,000	-	-	10,000
Share-based payments	-	-	103,222	-	103,222
Re-allocated on cancellation of options	-	-	(2,711)	2,711	-
Loss and comprehensive loss for the period	-	-	-	(266,896)	(266,896)
June 30, 2018	30,665,001	3,689,426	230,909	(1,678,220)	2,242,115
January 1, 2019	35,317,857	3,935,310	310,802	(1,817,876)	2,428,236
Common shares issued to settle debt	200,000	12,000	-	-	12,000
Common shares issued for severance	1,500,000	75,000	-	-	75,000
Re-allocated on cancellation of options	-	-	(3,123)	3,123	-
Loss and comprehensive loss for the period	-	-	-	(289,288)	(289,288)
June 30, 2019	**37,017,857**	**4,022,310**	**307,679**	**(2,104,041)**	**2,225,948**

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

Trifecta Gold Ltd.

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

For the three and six months ended June 30,

		Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	Note	**$**	$	**$**	$
Expenses					
Administration expenses		1,635	5,892	3,482	7,050
Insurance		4,171	4,400	8,571	8,800
Investor relations and shareholder information		3,855	19,572	15,730	32,836
Management, administrative and corporate development fees	8	1,175	1,848	3,291	4,038
Management, administrative and corporate development salaries	8	145,170	20,318	174,850	44,573
Office rent	8	6,500	7,500	14,000	15,000
Professional fees	8	13,916	21,138	24,176	44,399
Share-based payments	6,8	-	35,415	-	103,222
Transfer agent and filing fees		3,030	2,772	6,849	3,269
Loss from operating expenses		**(179,452)**	(118,855)	**(250,949)**	(263,187)
Interest income		620	918	1,677	2,117
Mineral property write-offs	5	-	-	(36,046)	-
Property examination costs	8	-	(687)	-	(5,826)
Gain (loss) on marketable securities	4	1,030	-	(3,970)	-
Loss and comprehensive loss for the period		**(177,802)**	(118,624)	**(289,288)**	(266,896)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	7	**36,417,857**	30,619,946	**35,906,807**	30,592,625
- diluted #	7	**36,417,857**	30,619,946	**35,906,807**	30,592,625
Basic loss per share $	7	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Diluted loss per share $	7	**(0.00)**	(0.00)	**(0.01)**	(0.01)

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

Trifecta Gold Ltd.

Condensed Interim Statements of Cash Flows

Unaudited - Prepared by Management

For the six months ended June 30,

	Note	**2019** $	2018 $
Operating activities			
Loss and comprehensive loss for the period		(289,288)	(266,896)
Mineral property write-offs		36,046	-
Share-based payments		-	103,222
Loss on marketable securities		3,970	-
Shares issued for servance	8	75,000	-
Interest income		(1,677)	(2,117)
Net change in non-cash working capital items	10	(30,134)	(20,345)
		(206,083)	(186,136)
Financing activities			
Share issue costs		(8,500)	-
		(8,500)	-
Investing activities			
Interest received		1,677	2,117
Proceeds from sale of marketable securities	4	23,330	-
Exploration grant received		-	37,777
Mineral property acquisition costs		-	(42,743)
Deferred exploration and evaluation expenditures		(16,032)	(59,055)
		8,975	(61,904)
Net decrease in cash		**(205,608)**	(248,040)
Cash, beginning of period		**341,493**	480,008
Cash, end of period		**135,885**	231,968

Supplemental cash flow information	10

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

1. Nature of operations and going concern

Trifecta Gold Ltd. (the "Company" or "Trifecta") was incorporated on October 4, 2016 under the laws of the Province of British Columbia, Canada and was registered extra-territorially in the Yukon Territory on January 6, 2017. The Company's head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. The Company was a wholly-owned subsidiary of Strategic Metals Ltd. ("Strategic"), until June 9, 2017, at which time Strategic's ownership position was reduced to approximately 9.19% through a Plan of Arrangement, which concluded with each Strategic shareholder receiving one Trifecta common share for every four and one-half Strategic common shares they owned as of May 31, 2017. The Company was listed on the TSX Venture Exchange ("TSX-V") on June 15, 2017.

The Company's principal business activity is the acquisition, exploration and evaluation of mineral properties. The Company has been exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. Its exploration activities have been curtailed pending an improvement in its working capital. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition or option of the mineral property interests. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

These condensed interim financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company does not have revenues and has incurred operating losses since incorporation. As at June 30, 2019, the Company had working capital of $130,212 (December 31, 2018 – $314,381), and shareholders' equity of $2,225,948 (December 31, 2018 - $2,428,236). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital or conclude a corporate transaction. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. In order to preserve working capital, the Company undertook a number of changes, including completing a Severance Settlement agreement with its former CEO to step down, withdrawing from its option agreement on the Eureka Dome property (see notes 8 and 5(c)(ii)), and commencing the liquidation of its marketable securities. The Company will continue to seek cost saving measures where available. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended December 31, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL") In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company.

2. Significant accounting policies (continued)

(b) Significant accounting policies

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2019. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

(c) New accounting standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

- New standard IFRS 16 - Leases

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

  There was no impact to the Company's financial statements as a result of adopting this new standard.

3. Receivables and prepayments

Receivables and prepayments consist of the following:

	June 30, 2019	December 31, 2018
	$	$
Prepaid expenses	19,513	15,110
Sales tax recoverable	2,484	2,280
	21,997	17,390

4. Marketable securities

Marketable securities consist of common shares received on the option of mineral property interests as follows:

	Cost $	Fair value $	Loss $
January 1, 2018 and June 30, 2018	-	-	-
January 1, 2019	53,750	37,500	
Proceeds on sale	(23,330)	-	
Cost of disposals	-	(35,475)	
Realized loss on sale	(12,145)	-	(12,145)
Unrealized gain for the period	-	8,175	8,175
June 30, 2019	**18,275**	**10,200**	**(3,970)**

The fair value of the marketable securities is based on the bid price of the shares on the TSX-V at each period end.

5. Mineral property interests

The Company's mineral property interests consist of exploration stage properties located in Canada (Yukon Territory and British Columbia) and the United States (Nevada). The properties have been grouped into those which are wholly-owned projects, wholly-owned and under option, and projects under option from other parties. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

Changes in the project carrying amounts for the six months ended June 30, 2018 are summarized as follows:

	January 1, 2018 $	Acquisitions/ staking/ assessments $	Exploration and evaluation $	June 30, 2018 $
Wholly-owned projects				
Eureka	1,203,832	3,440	11,900	1,219,172
Treble	145,199	2,830	3,911	151,940
Triple Crown	268,245	2,678	6,349	277,272
Handsome Jack	11,237	-	56	11,293
	1,628,513	8,948	22,216	1,659,677
Wholly-owned and under option project				
Trident - wholly-owned claims				
Squid	206,679	-	5,463	212,142
Trident - under option claims				
CH Claims	76,842	-	233	77,075
	283,521	-	5,696	289,217
Projects under option				
Yuge	-	23,795	72,578	96,373
Eureka Dome	-	20,000	213	20,213
	-	43,795	72,791	116,586
Total all projects	1,912,034	52,743	100,703	2,065,480

5. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Six months ended June 30, 2018	Eureka $	Handsome Jack $	Treble $	Triple Crown $	Trident $	Yuge $	Eureka Dome $	Total $
Assays	-	-	-	-	893	-	-	893
Field	606	56	-	182	706	4,132	-	5,682
Labour	11,294	-	7,822	11,526	3,491	12,901	213	47,247
Surveys and consulting	-	-		-	-	53,237	-	53,237
Travel and accommodation	-	-	-	989	606	2,308	-	3,903
	11,900	56	7,822	12,697	5,696	72,578	213	110,962
Less: Mineral exploration grant	-	-	(3,911)	(6,348)	-	-	-	(10,259)
Total	11,900	56	3,911	6,349	5,696	72,578	213	100,703

Changes in the project carrying amounts for the six months ended June 30, 2019 are summarized as follows:

	January 1, 2019 $	**Acquisitions/ staking/ assessments $**	**Exploration and evaluation $**	**Write-offs $**	**June 30, 2019 $**
Wholly-owned projects					
Eureka	1,219,817	-	1,061	-	1,220,878
Treble	155,879	-	-	-	155,879
Triple Crown	283,940	-	-	-	283,940
Total	**1,659,636**	**-**	**1,061**	**-**	**1,660,697**
Wholly-owned and under option project					
Trident - wholly-owned claims					
Squid	212,142	-	789	-	212,931
Trident - under option claims					
CH Claims	88,075	-	-	-	88,075
	300,217	**-**	**789**	**-**	**301,006**
Projects under option from other parties					
Yuge	118,081	13,419	2,533	-	134,033
Eureka Dome	35,921	-	125	(36,046)	-
	154,002	**13,419**	**2,658**	**(36,046)**	**134,033**
Total all projects	**2,113,855**	**13,419**	**4,508**	**(36,046)**	**2,095,736**

5. Mineral property interests (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

Six months ended June 30, 2019	Eureka $	Trident $	Yuge $	Eureka Dome $	Total $
Assays	-	-	-	-	-
Field	-	-	-	-	-
Labour	1,061	789	2,533	125	4,508
Surveys and consulting	-	-	-	-	-
Travel and accommodation	-	-	-	-	-
Total	**1,061**	**789**	**2,533**	**125**	**4,508**

(a) Wholly-owned projects

By an agreement dated December 9, 2016, the Company agreed to purchase the Eureka, Treble and Triple Crown mineral properties from Strategic by issuing Strategic 14,500,000 of its common shares at a value of $0.10 per share, giving the transaction a total value of $1,450,000. The agreed amount approximated the cumulative acquisition and exploration costs incurred on the properties by Strategic.

Transactions between related parties take place at a fair market value, where such values can be determined. The purchased properties are in the exploration stage with no proven economic mineral reserves, so there was insufficient information to determine a fair value less cost to sell, or a value in use. Under IFRS 6, mineral property interests can be carried at cost until such time the properties become impaired. Given the properties were, and are not considered impaired, and given a fair value could not be determined, the Company used the cumulative property costs to Strategic as the transfer value of the properties.

(i) Eureka

The Eureka project consists of a 100% interest in the Eureka mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016 from Strategic by the issue of 11,250,000 common shares at $0.10 per share for an aggregate cost of $1,125,000. The claims are subject to a 1% net smelter return royalty (“NSR”).

(ii) Treble

The Treble project consists of a 100% interest in the LLL mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016 from Strategic by the issue of 1,150,000 common shares at $0.10 per share for an aggregate cost of $115,000. The claims are not subject to any royalty interests.

(iii) Triple Crown

The Triple Crown project consists of a 100% interest in the OOO mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016 from Strategic by the issue of 2,100,000 common shares at $0.10 per share for an aggregate cost of $210,000. The claims are not subject to any royalty interests.

(iv) Handsome Jack

The Handsome Jack project consisted of a 100% interest in the Never Sweat mineral claims located in the Golden Triangle region of British Columbia. The project was acquired in September 2017 for consideration of $5,000 cash. The claims are subject to a 1% NSR interest in all precious metals produced from the property. The Company has the right to purchase the royalty at any time for a consideration of $500,000 cash.

By agreement dated August 8, 2018, the Company sold its Handsome Jack project to StrikePoint Gold Inc. (“StrikePoint”) for $25,000 cash and the issuance of 250,000 StrikePoint common shares, which were received on September 17, 2018 with a fair value of $53,750.

The Company retains a 1% NSR on the project, one-half of which can be purchased by StrikePoint at any time for a cash payment of $500,000.

5. Mineral property interests (continued)

(b) Wholly-owned and under option project

Trident

The Trident project consists of the Squid claims, which are wholly-owned, and the CH claims which are being acquired under an option agreement. The project also included the Squid East and West claims which were under option and later dropped and written-off as at the year ended December 31, 2017.

Wholly-owned claims

The Squid claims are located in the Dawson Mining District, Yukon Territory, and were acquired by staking.

Under option claims

By an agreement dated December 8, 2016, and amended on April 27, 2017, the Company may acquire a 100% interest in the CH mineral claims located in the Dawson Mining District, Yukon Territory from Coureur Des Bois Ltee Ltd. ("Coureur"), for consideration of:

- The issuance of 1,500,000 common shares to Coureur as follows:
  - 150,000 shares upon completion of a TSX-V listing (issued June 15, 2017);
  - 150,000 shares on or before December 8, 2017 (issued December 8, 2017);
  - 200,000 shares on or before December 8, 2018 (issued December 6, 2018);
  - 300,000 shares on or before December 8, 2019; and
  - 700,000 shares on or before December 8, 2020.

Upon completion of the agreement, the Company will attain a 100% interest in the claims and Coureur will retain a 2% NSR from any precious metal commercial production and a 1% NSR from any non-precious metal commercial production. The Company would have the right at any time to purchase one-half of the NSR for $1,000,000.

(c) Projects under option from other parties

(i) Yuge

On February 27, 2018, the Company signed a letter of intent, which was subsequently replaced with a definitive agreement, to option from Silver Range Resources Ltd. ("Silver Range") up to a 75% interest in Silver Range's Yuge property, which is located in Nevada, USA.

For a 51% interest, the Company is required to:

- Reimburse Silver Range its staking and recording costs of $9,066 (approximately US$7,100 paid);
- Complete a US$1,000,000 work program on or before February 28, 2021;
- Pay Silver Range US$250,000 cash and/or shares at the Company's election, on or before February 28, 2021;
- Grant Silver Range a 1% NSR; and
- Grant Silver Range a success fee of US$1 per ounce, payable upon completion of a Preliminary Economic Assessment based on measured and indicated resources greater than 500,000 ounces.

For an additional 24% interest, the Company is required to:

- Complete an additional US$2,000,000 work program on or before February 28, 2023;
- Pay Silver Range US$500,000 cash and/or shares at the Company's election, on or before February 28, 2023; and
- Grant Silver Range an additional 1% NSR, which can be purchased for US$1,000,000 at any time prior to production.

Silver Range will act as the project operator for the first phase of exploration in return for a 10% management fee. Once fully vested a Joint Venture would be formed to continue exploration of the property. Should either party's interest be diluted to below 10%, it would be converted into a 1% NSR, half of which could be purchased for US$1,000,000.

5. Mineral property interests (continued)

(c) Projects under option from other parties (continued)

(ii) Eureka Dome

On April 24, 2018, and as amended on December 19, 2018, the Company signed an option agreement with Pacific Ridge Exploration Ltd. ("Pacific Ridge") to earn a 70% interest in the Eureka Dome property, located in the Dawson Mining District, Yukon Territory. To exercise the option, the Company was required, in stages, to make payments totaling $200,000, issue a total of 1,000,000 shares, and incur a total of $2,500,000 in exploration expenditures on or before December 31, 2022.

In April 2019, the Company terminated the agreement and wrote-off its cumulative acquisition and exploration expenditures of $36,046 as at June 30, 2019. During the option period, the Company made cash payments totaling $20,000, and issued 200,000 of its common shares to Pacific Ridge.

6. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

Transactions for the issue of share capital during the six months ended June 30, 2019:

On February 14, 2019, the Company entered a Debt Settlement Agreement (the "Debt Settlement") with Silver Range whereby the Company issued 200,000 common shares to settle an amount owing to Silver Range of $12,000 ($0.06 per share). No gain or loss was recognized in connection with the Debt Settlement.

On May 7, 2019, the Company issued 1,500,000 to its former President and CEO in connection with a Severance Settlement Agreement (the "Severance Settlement") (see note 8). The common shares were issued at a value of $0.05 per share, for an aggregate value of $75,000. No gain or loss was recognized in connection with the Severance Settlement.

Transactions for the issue of share capital during the six months ended June 30, 2018:

The Company issued 100,000 common shares to Pacific Ridge under the option agreement for the Eureka Dome property (see note 5(c)(ii)), at the market value on issue of $0.10 per share, for an aggregate value of $10,000.

6. Share capital (continued)

Stock options

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options or the date of grant in respect of options granted to consultants, less a discount of from 15% to 25%), unless otherwise agreed to by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the plan with exercise prices below "Market Price" will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date. A participant who is a consultant conducting investor relations activities who is granted options under the plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at June 30, 2019 and December 31, 2018 and changes during the period/year then ended is as follows:

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Options #	Exercise price $	Options #	Exercise price $
Options outstanding, beginning of period/year	2,345,000	0.25	2,405,000	0.25
Cancelled	(30,000)	0.25	(60,000)	0.25
Options outstanding, end of period/year	**2,315,000**	**0.25**	2,345,000	0.25

As at June 30, 2019, the Company has stock options outstanding and exercisable as follows:

	Options outstanding #	Options exercisable #	Exercise price $	Weighted average remaining life (years)	Expiry date
(1)	**2,315,000**	**2,315,000**	**0.25**	**3.16**	**August 25, 2022**

(1) 300,000 of these options were surrendered and cancelled subsequent to June 30, 2019.

No stock options were granted during the six months ended June 30, 2019 or June 30, 2018.

The total share-based payment expense for the six months ended June 30, 2019 was $nil (2018 – $103,222), which is presented within expenses, and includes only the options that vested during the period.

During the six months ended June 30, 2019, 30,000 stock options (2018 – 50,000) were cancelled. As a result, the original share-based payment expense of $3,123 (2018 - $2,711) has been reversed from contributed surplus and credited to deficit.

6. Share capital (continued)

Warrants

As an incentive to complete private placements, the Company may issue units which consist of common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units.

A summary of the status of the Company's warrants as at June 30, 2019 and December 31, 2018, and changes during the period/year then ended is as follows:

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Warrants #	Weighted average exercise price $	Warrants #	Exercise price $
Warrants outstanding, beginning of period/year	5,852,856	0.11	3,632,500	0.24
Private placement warrants issued	-	-	4,352,856	0.10
Private placement warrants expired	-	-	(2,132,500)	0.30
Warrants outstanding, end of period/year	**5,852,856**	**0.11**	5,852,856	0.11

As at June 30, 2019, the Company had private placement warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price $	Weighted average remaining life (years)	Expiry date
1,500,000	0.15	0.48	December 21, 2019
4,352,856	0.10	1.46	December 13, 2020
5,852,856	**0.11**	**1.21**	

Contributed surplus

Contributed surplus, when applicable, includes the accumulated fair value of stock options recognized as share-based payments and the fair value of warrants issued on private placements. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

7. Loss per share

The calculation of basic and diluted loss per share for the six months ended June 30, 2019 is based on the loss attributable to common shareholders of $289,288 (2018 - $266,896) and a weighted average number of common shares outstanding of 35,906,807 (2018 – 30,592,625).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

8. Related party payables and transactions

The Company's related parties include key management personnel and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the six months ended June 30, 2019 or June 30, 2018.

Effective June 16, 2017, Dylan Arnold-Wallinger ("Wallinger"), the Company's former President and CEO, became a direct employee of the Company. He was previously employed by Archer, Cathro & Associates (1981) Limited ("Archer Cathro"), which charged the Company for his monthly services. No other key management personnel or Directors receive salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days' notice. Key management personnel and Directors participate in the Company's stock option plan.

As part of the Company's goal to preserve working capital as detailed in note 1, effective April 30, 2019, the Company entered into the Severance Settlement (see note 6) with Wallinger, whereby the Company and Wallinger agreed to terminate Wallinger's existing Employment Agreement. Pursuant to the Severance Settlement, the Company made a one-time cash payment of $60,000 and issued a total of 1,500,000 common shares with a fair value of $75,000 (see note 6) as consideration for the early termination of Wallinger's Employment Agreement.

There were no stock options granted to key management personnel and Directors during the six months ended June 30, 2019 or June 30, 2018.

The Company transacted with the following related parties:

(a) Archer Cathro is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisitions, exploration, management, and office rent and administration.

(b) Glenn Yeadon is the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp"), which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA") (formerly Donaldson Grassi Chartered Professional Accountants until January 31, 2019), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services.

(d) Dylan Arnold-Wallinger was the Company's President and CEO. He provided the Company with management, administrative, corporate development and technical services.

The aggregate value of transactions and outstanding balances with related parties are as follows:

		Transactions 6 months ended June 30, 2019	Transactions 6 months ended June 30, 2018	**Balances outstanding, June 30, 2019**	Balances outstanding, December 31, 2018
		$	$	**$**	$
	Archer Cathro				
	- geological services	1,404	37,623	14,141	246
	- office and administration	17,540	19,633	5,576	7,139
		18,944	57,256	19,717	7,385
	Yeadon Law Corp	15,781	20,739	8,067	15,612
	DBM CPA	10,200	23,300	8,000	14,000
(1)	Dylan Arnold-Wallinger	177,830	62,096	-	-
		222,755	**163,391**	**35,784**	36,997

(1) Transactions include $2,979 in geological services for the six months ended June 30, 2019 (2018 - $13,486).

All related party balances are unsecured and are due within thirty days without interest. The related party transactions do not include expense reimbursements or recoverable sales tax amounts that are included in the period-end related party payable balances.

8. Related party payables and transactions (continued)

The transactions with the key management personnel and Directors are included in general and administrative expenses as follows:

(a) Management, administrative and corporate development fees
- Includes charges by Archer Cathro for administrative personnel.

(b) Management, administrative and corporate development salaries
- Includes the portion of Dylan Arnold-Wallinger's salary related to management, administrative and corporate development services. The remainder of Dylan Arnold-Wallinger's salary is allocated to deferred exploration and evaluation expenditures and property examination expense for his project technical services. For the six months ended June 30, 2019, the balance includes amounts paid and the fair value of common shares issued pursuant to the Severance Settlement.

(c) Office rent
- Charged by Archer Cathro.

(d) Professional fees
- Includes the legal services of the Company's Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corp.
- Includes the accounting services of the Company's CFO, Larry Donaldson, charged to the Company by DBM CPA.

(e) Property examination costs
- Includes the portion of Dylan Arnold-Wallinger's salary in 2018 related to property examination.

9. Income Taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	June 30, 2019 $	June 30, 2018 $
Loss for the period before income taxes	(289,288)	(266,896)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	78,108	72,062
Change in tax resulting from:		
Unrecognized items for tax purposes	(536)	(27,870)
Tax benefits unrecognized	(77,572)	(44,192)
Income tax recovery	**-**	-

The significant components of the Company's unrecognized deferred income tax assets are as follows:

	June 30, 2019 $	December 31, 2018 $
Mineral property interests	154,857	146,775
Marketable securities	1,090	2,194
Capital loss carry forwards	1,640	-
Non-capital loss carry forwards	259,952	189,773
Share issue costs	6,669	7,895
Tax benefits unrecognized	(424,208)	(346,637)
Net deferred tax assets	**-**	-

9. Income Taxes (continued)

As at June 30, 2019, the Company has unused non-capital losses of approximately $963,000 (December 31, 2018 – $703,000) of which $43,000 expire in 2036, $305,000 in 2037, $355,000 in 2038 and $260,000 in 2039.

As at June 30, 2019, the Company has unused capital losses of approximately $12,000 (December 31, 2018 - $nil), which have no expiry dates and can only be used to reduced future income from capital gains.

As at June 30, 2019, the Company has unclaimed resource deductions in the amount of approximately $2,669,000 (December 31, 2018 – $2,657,000), which may be deductible against future taxable income.

As at June 30, 2019, there are share issue costs totaling approximately $25,000 (December 31, 2018 – $29,000), which have not been claimed for tax purposes.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

10. Supplemental cash flow information

Changes in non-cash operating working capital during the six months ended June 30, 2019 and June 30, 2018 were comprised of the following:

	June 30, 2019 $	June 30, 2018 $
Receivables and prepayments	(11,807)	433
Accounts payable and accrued liabilities	(11,719)	(11,260)
Accounts payable to related parties	(6,608)	(9,518)
Net change	**(30,134)**	(20,345)

The Company incurred non-cash financing and investing activities during the six months ended June 30, 2019 and June 30, 2018 as follows:

	June 30, 2019 $	June 30, 2018 $
Non-cash financing activities:		
Share capital issued to settle debt	12,000	-
Share capital issued for severance	75,000	-
Issue of share capital for optioned mineral property interests	-	10,000
	87,000	10,000
Non-cash investing activities:		
Option of mineral property interests by issue of share capital	-	(10,000)
Deferred exploration expenditures included in exploration grant receivable	-	(10,259)
Deferred exploration expenditures included in accounts payable and related party payables	14,141	46,616
	14,141	26,357

During the six months ended June 30, 2019 and June 30, 2018, no amounts were paid for interest or income tax expenses.

11. Financial risk management

Capital management

The Company is a resource exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2019 is comprised of shareholders' equity of $2,225,948 (December 31, 2018 - $2,428,236).

The Company currently has no source of revenues. In order to fund future projects and pay for general and administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets (see note 1).

Financial instruments - fair value

The Company's financial instruments consist of cash, marketable securities, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying value of accounts payable and accrued liabilities, and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
June 30, 2019				
Cash	135,885	-	-	135,885
Marketable securities	10,200	-	-	10,200
	146,085	**-**	**-**	**146,085**
December 31, 2018				
Cash	341,493	-		341,493
Marketable securities	37,500	-	-	37,500
	378,993	-	-	378,993

11. Financial risk management (continued)

Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash. All of the Company's cash is held in financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant. The Company has minimal receivable exposure as its refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is not exposed to interest risk as it does not hold financial securities or debt that would be impacted by fluctuating interest rates.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(d) Market and currency risk

The Company is exposed to market risk because of fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2019 value of marketable securities, every 10% fluctuation in the share prices of these companies would impact profit or loss for the period, up or down, by approximately $1,000 (2018 – $nil) before income taxes. As at June 30, 2019, the Company holds an insignificant amount of U.S. dollars and accordingly, is not exposed to a significant level of currency risk.