

# **Sunvest Minerals Corp.**

Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

Under National Instruments 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Sunvest Minerals Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Notes	September 30, 2018	June 30, 2018
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		247,674	6,961
Commodity tax receivable		26,771	4,479
Prepaid expenses	7	287,034	56,661
		561,479	68,101
Reclamation bond		7,970	8,151
Exploration and evaluation assets	8	2,414,287	2,494,131
Total assets		2,983,736	2,570,383
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9, 12	47,381	143,585
Loan payable	12	-	206,500
		47,381	350,085
<b>Shareholders' equity</b>			
Share capital	10	10,781,730	8,864,523
Reserves	11	1,621,558	1,535,151
Deficit		(9,464,456)	(8,176,899)
		2,938,832	2,222,775
Non-controlling interest		(2,477)	(2,477)
Total shareholders' equity		2,936,355	2,220,298
Total liabilities and shareholders' equity		2,983,736	2,570,383

*Nature of operations (note 1)*

*Subsequent event (note 14)*

**Approved on Behalf of the Board of Directors:**

/s/ Mike England

Director

/s/ John Masters

Director

See accompanying notes to the condensed interim consolidated financial statements

**Sunvest Minerals Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

		<b>Three Months Ended September 30,</b>	
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
<b>EXPENSES</b>		\$	\$
Consulting fees	12	<b>182,550</b>	43,341
Foreign exchange		<b>1,290</b>	(358)
Gain on settlement of accounts payable and accrued liabilities	8, 9	-	(72,376)
General and administration		<b>22,699</b>	12,857
Shareholders communication		<b>22,933</b>	57,033
Office management services	12	<b>36,000</b>	35,000
Professional fees		<b>6,692</b>	24,342
Regulatory and filing fees		<b>17,949</b>	8,009
Share-based compensation	11, 12	<b>39,700</b>	26,600
Write-off of accounts payable	9	-	-
Write-off of exploration and evaluation assets	8	<b>975,744</b>	-
<b>Net loss for the period</b>		<b>(1,287,557)</b>	(134,448)
<b>Net loss attributable to:</b>			
Owners of the Company		<b>(1,287,557)</b>	(134,448)
Non-controlling interest		-	-
<b>Net loss and comprehensive loss for the period</b>		<b>(1,287,557)</b>	(134,448)
<b>Basic and diluted loss per share</b>		<b>(\$0.02)</b>	(\$0.00)
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>59,284,485</b>	31,155,814

See accompanying notes to the condensed interim consolidated financial statements

**Sunvest Minerals Corp.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Attributable to the owners of the Company						
	Shares	Share Capital	Reserves	Deficit	Attributable to Owners	Non-Controlling Interest	Total equity (deficit)
	#	\$	\$	\$	\$	\$	\$
<b>Balance at June 30, 2017</b>	30,402,553	7,268,023	1,431,051	(7,272,173)	1,426,901	(2,477)	1,424,424
Shares issued for evaluation and exploration assets	1,500,000	141,000	-	-	141,000	-	141,000
Share-based payments	-	-	26,600	-	26,600	-	26,600
Net loss for the period	-	-	-	(134,448)	(134,448)	-	(134,448)
<b>Balance at September 30, 2017</b>	31,902,553	7,409,023	1,457,651	(7,406,621)	1,460,053	(2,477)	1,457,576

<b>Balance at June 30, 2018</b>	46,962,553	8,864,523	1,535,151	(8,176,899)	2,222,775	(2,477)	2,220,298
Share issuance – private placements	25,928,000	1,555,680	-	-	1,555,680	-	1,555,680
Share issuance costs	-	(119,538)	-	-	(119,538)	-	(119,538)
Finder's warrants issued	-	(62,600)	62,600	-	-	-	-
Share issuance – options exercised	300,000	24,234	(3,234)	-	21,000	-	21,000
Share issuance – warrants exercised	96,750	19,431	(12,659)	-	6,772	-	6,772
Share-based payments	-	-	39,700	-	39,700	-	39,700
Shares issued for acquisition of 1174679 BC Ltd.	10,000,000	500,000	-	-	500,000	-	500,000
Net loss for the period	-	-	-	(1,287,557)	(1,287,557)	-	(1,287,557)
<b>Balance at September 30, 2018</b>	83,287,303	10,781,730	1,621,558	(9,464,456)	2,938,832	(2,477)	2,936,355

See accompanying notes to the condensed interim consolidated financial statements

**Sunvest Minerals Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	<b>Three Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>	\$	\$
Net loss for the period	(1,287,552)	(134,448)
Items not affecting cash:		
Write-off of exploration and evaluation assets	975,744	-
Foreign exchange	181	351
Share-based compensation	39,700	26,600
Gain on settlement of accounts payable and accrued liabilities	-	(72,376)
Change in non-cash operating working capital items:		
Increase in commodity tax receivable	(22,292)	(7,685)
Decrease (increase) in prepaid expenses	(230,373)	95,836
Decrease in accounts payable and accruals	(43,398)	(20,968)
<b>Cash flows used in operating activities</b>	<b>(567,995)</b>	<b>(112,690)</b>
<b>Cash flows from investing activities</b>		
Expenditures for exploration and evaluation assets	(448,706)	(47,389)
<b>Cash flows used in investing activities</b>	<b>(448,706)</b>	<b>(47,389)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placements, gross	1,555,680	20,000
Share issuance costs	(119,538)	-
Options exercised	21,000	-
Warrants exercised	6,772	-
Repayment of loan payable	(206,500)	-
<b>Cash flows provided by financing activities</b>	<b>1,257,414</b>	<b>20,000</b>
<b>Increase (decrease) in cash</b>	<b>240,713</b>	<b>(140,079)</b>
<b>Cash – beginning of period</b>	<b>6,961</b>	<b>140,877</b>
<b>Cash – end of period</b>	<b>247,674</b>	<b>798</b>
<b>Supplemental cash flow information</b>		
Fair value of options exercised	3,234	-
Fair value of warrants exercised	12,659	-
Exploration and evaluation assets – share issuance	500,000	141,000
Share issuance costs – finder’s warrants	62,600	-
Subscription receivable	-	-
Accounts payable settlement – share issuance	-	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	5,893	-
Assumed debt related to exploration and evaluation assets	-	72,386

See accompanying notes to the condensed interim consolidated financial statements

**Sunvest Minerals Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2018**

(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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## **1 Nature of operations**

Sunvest Minerals Corp. (the “Company”) was incorporated as Minati Capital Corp. under the *Business Corporations Act* (British Columbia), on January 8, 2008. The Company was listed on the TSX Venture Exchange (the “Exchange”) formerly under the symbol SRK. On November 21, 2014, the Company changed its name to Strike Diamond Corp. from Strike Graphite Corp. On March 15, 2016, the Company consolidated its share capital on a ten for one basis and changed its name to Sunvest Minerals Corp. These financial statements reflect the share consolidation. The Company is listed on the Exchange under the trading symbol SSS.

The Company is in the exploration stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

The address of the Company’s corporate office and its principal place of business is Suite 1240 – 789 West Pender Street, Vancouver BC, V6C 1H2, Canada.

### *Going concern*

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for twelve months and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at September 30, 2018, the Company had not advanced its exploration and evaluation assets to commercial production. At September 30, 2018, the Company has not achieved profitable operations, has accumulated losses of \$9,464,456 (June 30, 2018 - \$8,176,899) since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

## **2 Basis of presentation and statement of compliance**

### *Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended June 30, 2018. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year June 30, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These consolidated financial statements are authorized for issue by the Board of Directors on November 28, 2018.

**Sunvest Minerals Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
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## **2 Basis of presentation and statement of compliance (cont'd)**

### *Basis of Measurement*

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. They also require management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## **3 Significant accounting policies**

### **Cash**

Cash includes cash on hand, and deposits held at call with financial institutions.

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiary as at September 30, 2018. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiary as if they formed a single entity. All inter-company transactions and balances between the companies are therefore eliminated in full.

The Company incorporated a subsidiary, Strike Gold Corp., on September 12, 2011 in the Province of British Columbia. The Company holds an 89% interest in Strike Gold Corp. (June 30, 2018 – 89%) which was dormant during the period ended September 30, 2018 and year ended June 30, 2018. These consolidated financial statements include the accounts of Strike Gold Corp. as well as the recognition of an 11% non-controlling interest in Strike Gold Corp.

The Company incorporated a subsidiary, 1175528 B.C. Ltd., on September 19, 2018 in the Province of British Columbia. The Company later amalgamated 1174679 B.C. Ltd. (note 6) and 1175528 B.C. Ltd. into one company under the name 1179985 B.C. Ltd. during the period ended September 30, 2018. The Company holds a 100% interest in 1179985 B.C. Ltd. These consolidated financial statements include the accounts of 1179985 B.C. Ltd.

### **Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets.

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### **3 Significant accounting policies (cont'd)**

#### **Financial Instruments (cont'd)**

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the consolidated statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash as fair value through profit or loss and its subscription receivable as loans and receivables.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category includes accounts payable and accrued liabilities and loan payable which are recognized at amortized cost using the effective interest method.

### **3 Significant accounting policies (cont'd)**

#### **Financial Instruments (cont'd)**

##### Financial liabilities (cont'd)

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include accounts payable and accrued liabilities, and loan payable. Subsequent to initial recognition, accounts payable and accrued liabilities is measured at amortized cost using the effective interest method. All are classified as other financial liabilities.

#### **Exploration and Evaluation Assets**

##### *Pre-exploration Costs*

Pre-exploration costs are expensed in the period in which they are incurred.

##### *Exploration and evaluation costs for mineral properties*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of loss and comprehensive loss.

On an annual basis, the Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

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### **3 Significant accounting policies (cont'd)**

#### **Compound Financial Instruments (Convertible Debentures)**

Compound financial instruments issued by the Company comprise convertible notes that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

#### **Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

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 the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

#### **Basic and Diluted Earnings (Loss) Per Share**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. 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.

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**Notes to Condensed Interim Consolidated Financial Statements**  
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### **3 Significant accounting policies (cont'd)**

#### **Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

#### **Share-Based Payments**

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes Model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Any consideration paid by directors, officers, employees and non-employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

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### **3 Significant accounting policies (cont'd)**

#### **Rehabilitation Provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of loss and comprehensive loss for the period. As at June 30, 2018 and 2017, the Company has no known obligations relating to rehabilitation.

#### **Impairment of Long-lived Assets**

The Company's long-lived assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3 Significant accounting policies (cont'd)**

#### **Flow-Through Shares**

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the tax deductibility of qualifying resource expenditures is transferred to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income on settlement of flow-through share premium liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares or units are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

#### **Accounting standards and interpretations adopted**

During the year ended June 30, 2018, the Company adopted certain new accounting standards, interpretations, and amendments, none of which had material impact on the consolidated financial statements.

#### **Accounting Standards issued but not yet applied**

The following standards, interpretations and amendments, which have not been applied in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards and expects the adoption to have minimal to no effect on the financial statement reporting.

#### **Effective for annual periods beginning on or after January 1, 2018**

##### *IFRS 9, Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

##### *IFRS 15, Revenue from Contracts with Customers:*

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

### **3 Significant accounting policies (cont'd)**

#### **Effective for annual periods beginning on or after January 1, 2019**

##### *IFRS 16, Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

### **4 Critical estimates and judgments**

The Company makes certain estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

#### **Recoverability of Capitalized Exploration and Evaluation Expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company and the maintenance of good standing of the mineral titles, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

#### **Valuation of 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 stock options granted. This estimate also requires determining the most appropriate inputs to the valuation model including the expected lives of the stock options, volatility, interest rates and, dividend yield and making assumptions about them. The model and assumptions used for estimating the fair value of share-based payment transactions are disclosed in Note 8.

#### **Recovery of Deferred Tax Assets**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

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#### 4 Critical estimates and judgments (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of the fair value of the assets acquired, liabilities assumed and consideration provided in respect to the acquisition of 1174679 B.C. Ltd.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements include the determination of the acquisition of 1174679 B.C. Ltd. was an asset acquisition.

#### 5 Financial instruments

##### Fair values of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, subscription receivable, reclamation bond, accounts payable and accrued liabilities, and loan payable.

The accounting classification of each category of financial instruments, and the level within the fair value hierarchy in which they have been classified are set out below:

	Fair Value Hierarchy Level	September 30, 2018	June 30, 2017
<b>Financial assets</b>		\$	\$
Cash	1	247,674	6,961

(1) The carrying value of cash, subscription receivable, accounts payable and accrued liabilities, and loan payable approximates fair value due to the short-term nature of these items.

##### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

##### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not consider its exposure to interest rate risk to be significant.

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## 5 Financial instruments (cont'd)

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's goal is to have sufficient capital or access to capital to allow it to meet its liabilities when they become due. This goal has not been fully met in recent periods thereby increasing the liquidity risk. As at September 30, 2018, the Company had a working capital of \$514,098 as compared to working capital of \$281,984 at June 30, 2018. The Company intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt, loans and related party loans.

## 6 Acquisition of 1174679 B.C. Ltd.

On September 19, 2018, the Company completed the acquisition of 1174679 B.C. Ltd. by paying \$20,000 in cash and issuing 10,000,000 common shares (issued and valued at \$500,000).

The transaction does not constitute a business combination as 1174679 B.C. Ltd. does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of 1174679 B.C. Ltd. has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are recorded at fair value. Upon closing of the transaction, 1174679 B.C. Ltd became a subsidiary of the Company. The net assets acquired pursuant to the acquisition are as follows:

<b>Net assets acquired</b>	
	\$
Exploration and evaluation assets	520,000
<b>Total Purchase Price:</b>	
Cash	20,000
Issuance of 10,000,000 common shares	500,000
	520,000

## 7 Prepaid expenses

	<b>September 30, 2018</b>	<b>June 30, 2018</b>
	\$	\$
Consulting	281,750	31,750
Shareholders communication	4,675	22,476
Other prepaid expenses	609	2,435
	287,034	56,661

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**8 Exploration and evaluation assets**

	<b>McKinnon-Hawkins Gold Property</b>	<b>Evening Star Property</b>	<b>Clone Gold Property</b>	<b>Roy Mine (Farr) Property</b>	<b>Brazil Lake Cobalt (Foster Cobalt) Property</b>	<b>Hemlo West Property</b>	<b>Moosehead North Gold Property</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>June 30, 2018</b>	974,939	506,737	610,560	73,382	232,346	96,167	-	2,494,131
<i>Acquisition costs</i>								
Cash	-	9,482	-	-	-	-	20,000	29,482
Shares issued	-	-	-	-	-	-	500,000	500,000
	-	9,482	-	-	-	-	520,000	529,482
<i>Deferred exploration costs</i>								
Assays	-	1,266	-	-	-	-	-	1,266
Drilling	-	-	-	-	-	-	-	-
Field work	-	-	350,635	-	-	-	-	350,635
Geological consulting	805	2,018	1,330	-	-	-	7,517	11,670
Travel	-	-	-	-	-	-	2,847	2,847
	805	3,284	351,965	-	-	-	10,364	366,418
Write-off	(975,744)	-	-	-	-	-	-	(975,744)
<b>September 30, 2018</b>	-	519,503	962,525	73,382	232,346	96,167	530,364	2,414,287

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**8 Exploration and evaluation assets (cont'd)**

	McKinnon-Hawkins Gold Property	Evening Star Property	Clone Gold Property	Roy Mine (Farr) Property	Brazil Lake Cobalt (Foster Cobalt) Property	Hemlo West Property	Parrott Lake Property	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>June 30, 2017</b>	682,428	201,846	-	102,382	137,071	55,667	-	1,179,394
<i>Acquisition costs</i>								
Cash	125,000	52,740	97,386	-	-	12,000	20,000	307,126
Shares issued	122,000	24,000	450,000	51,000	90,000	28,500	-	765,500
	247,000	76,740	547,386	51,000	90,000	40,500	20,000	1,072,626
<i>Deferred exploration costs</i>								
Assays	6,420	29,319	3,856	-	-	-	-	39,595
Drilling	-	102,706	-	-	-	-	-	102,706
Field work	-	3,287	25,579	-	-	-	-	28,866
Geological consulting	23,691	63,647	14,024	-	5,275	-	-	106,637
Staking	-	9,445	10,618	-	-	-	-	20,063
Travel	15,400	19,747	9,097	-	-	-	-	44,244
	45,511	228,151	63,174	-	5,275	-	-	342,111
Write-off	-	-	-	-	-	-	(20,000)	(20,000)
Recovery	-	-	-	(80,000)	-	-	-	(80,000)
<b>June 30, 2018</b>	974,939	506,737	610,560	73,382	232,346	96,167	-	2,494,131

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## **8 Exploration and evaluation assets (cont'd)**

### **McKinnon-Hawkins Gold Property, Ontario**

On September 15, 2016, the Company entered into an agreement to acquire an undivided 100% interest in the McKinnon-Hawkins Gold Property.

In consideration of the McKinnon-Hawkins Gold Property, the Company shall make the following payments:

#### Cash payments

- i) \$25,000 (paid) upon execution of the agreement as a non-refundable deposit;
- ii) \$75,000 on or before November 26, 2016 (paid);
- iii) \$150,000 on or before November 21, 2017 (paid \$100,000 in cash and \$50,000 in shares);
- iv) \$200,000 on or before November 21, 2018;
- v) \$250,000 on or before November 21, 2019; and
- vi) \$300,000 on or before November 21, 2020.

#### Share issuance

- i) that number of shares having an aggregate value equal to \$100,000 on or before November 26, 2016 (533,333 shares issued at a value of \$101,333);
- ii) that number of shares having an aggregate value equal to \$150,000 on or before November 21, 2017 (800,000 shares issued at value of \$72,000);
- iii) that number of shares having an aggregate value equal to \$200,000 on or before November 21, 2018;
- iv) that number of shares having an aggregate value equal to \$250,000 on or before November 21, 2019; and
- v) that number of shares having an aggregate value equal to \$300,000 on or before November 21, 2020.

The Company shall incur an aggregate total of \$2,000,000 of expenditures in or on the property, with \$500,000 of expenditures during each 12 month period immediately prior to the first four anniversaries of this agreement.

During the period ended September 30, 2018, the Company abandoned the property acquisition and wrote off exploration and evaluation assets of \$975,744 (2017 - \$Nil).

### **Evening Star Property, Nevada**

On November 23, 2016, the Company entered into an agreement to acquire a 100% interest in the Evening Star Property, located in Nevada. The Company received written acceptance of the agreement from the Exchange on January 5, 2017 (the "Approval Date").

To acquire an 80% interest in the Evening Star Property, the Company shall make the following payments:

#### Cash payments

- i) USD \$45,000 upon execution of the agreement (paid);
- ii) USD \$20,000 on or before June 4, 2017 (paid);
- iii) USD \$15,000 on or before January 5, 2018 (paid);
- iv) USD \$25,000 on or before June 4, 2018 (paid);
- v) USD \$25,000 on or before January 5, 2019; and
- vi) USD \$110,000 on or before January 5, 2020.

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## **8 Exploration and evaluation assets (cont'd)**

### **Evening Star Property, Nevada (cont'd)**

#### Share issuances

- i) 250,000 common shares on or before January 5, 2018 (issued at a value of \$24,000);
- ii) 250,000 common shares on or before January 5, 2019; and
- iii) 250,000 common shares on or before January 5, 2020.

#### Exploration expenditures

- i) incur exploration expenditures of USD\$5,000 on or before June 4, 2017 (incurred); and
- ii) incur exploration expenditures of USD\$5,000 on or before June 4, 2018 (incurred).

The Company has a second option to increase its interest by 20% (to 100%) by making cash payments of \$450,000 and issuing an additional 500,000 common shares over a 24 month period.

An NSR of 0.5 % will be granted to the first party. An additional 2% NSR will be granted to the second party, of which 1% can be purchased for cancellation at the Company's option for \$500,000, and the remaining 1% NSR can be purchased for cancellation for \$1,000,000, for a period of five years commencing after the exercise of the second option.

### **Clone Gold Property**

On September 27, 2017, the Company entered into an option agreement with Makena Resources Inc. to acquire a 50% interest in a series of mining claims known as the Clone Gold Property located in British Columbia, Canada for the following consideration:

- i) issuance of 3,000,000 common shares (issued at a value of \$300,000);
- ii) cash payment of \$100,000 on or before October 5, 2018 (paid subsequently); and
- iii) cash payment of \$200,000 on or before October 5, 2019;

In addition, the Company assumed \$72,386 of Makena Resources Inc. debt held by Teuton Resources Corp. in consideration of acquiring an interest in the property.

Concurrently, the Company entered into an option agreement (subsequently amended) with Teuton Resources Corp. and Silver Grail Resources Ltd. to acquire the remaining 50% interest in the Clone Gold Property for the following consideration:

#### Cash payment

- i) cash payment of \$25,000 within 5 days of Exchange approval (paid);
- ii) cash payment of \$50,000 on or before October 5, 2018 (paid subsequently); and
- iii) cash payment of \$100,000 on or before October 5, 2019.

#### Share issuance

- i) issuance of 1,500,000 common shares within 5 days of Exchange approval (issued at a value of \$150,000);
- ii) issuance of 2,000,000 common shares on or before October 5, 2018 (issued subsequently); and
- iii) issuance of 2,000,000 common shares on or before October 5, 2019.

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## **8 Exploration and evaluation assets (cont'd)**

### **Clone Gold Property (cont'd)**

#### Exploration expenditures

- i) incur exploration expenditures of \$350,000 on or before October 5, 2018 (incurred);
- ii) incur exploration expenditures of \$600,000 on or before October 5, 2019; and
- iii) incur exploration expenditures of \$1,000,000 on or before October 5, 2020.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,500,000.

During the year ended June 30, 2018, the Company entered into a debt settlement agreement with Teuton Resources Corp. whereby \$72,386 of indebtedness, pursuant to the acquisition of the Clone Gold Property from Makena Resources Inc., was settled for \$10, of which resulted in a gain of \$72,376.

### **Hemlo West Property**

On March 20, 2017, the Company entered into an agreement (amended) to acquire a 100% interest in the McKinnon Hemlo West Property (“Hemlo West Property”).

In consideration of the Hemlo West Property, the Company shall make the following payments:

#### Cash payments

- i) \$20,000 upon execution of the agreement as a non-refundable deposit (paid);
- ii) \$20,000 (amended cash payment to \$12,000) on or before March 20, 2018 (paid);
- iii) \$40,000 on or before March 20, 2019; and
- iv) \$70,000 on or before March 20, 2020.

#### Share issuances

- i) 177,777 common shares on or before execution of agreement (issued at a value of \$22,222);
- ii) 177,777 common shares (amended to 300,000 common shares) on or before March 20, 2018 (issued at a value of \$28,500);
- iii) 355,554 common shares on or before March 20, 2019; and
- iv) 622,221 common shares on or before March 20, 2020.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

In the event that the Company obtains an independent National Instrument 43-101 compliant technical report confirming resources of equal to or greater than 1,000,000 ounces of gold from the property, a bonus payment of \$1,000,000 will be paid to the vendors.

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## **8 Exploration and evaluation assets (cont'd)**

### **Brazil Lake Cobalt (Foster Cobalt) Property, Ontario**

On August 3, 2016, the Company entered into an agreement to acquire a 100% interest in the Brazil Lake Cobalt Property (formerly Foster Cobalt Property), located in the Sudbury Mining District in north central Ontario.

In consideration of the Brazil Lake Cobalt Property, the Company shall make the following payments:

- i) issue 600,000 shares (issued at a value of \$114,000) to the vendors and pay \$20,000 cash (paid).
- ii) issue 900,000 shares to the vendors on August 3, 2017 (issued at a value of \$90,000).

A 2% Net Smelter Return Royalty (“NSR”) will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

During the year ended June 30, 2017, the Company terminated a sale agreement with Xavier Capital Incorporated (“Xavier”) whereby Xavier could acquire a 100% interest in the Brazil Lake Cobalt Property. The agreement required Xavier to make cash payments to the Company of \$150,000 (\$20,000 of non-refundable deposit received) and to grant an additional 0.5% NSR to the Company.

### **Roy Mine (Farr) Property, Ontario**

On August 22, 2016, the Company entered into an agreement to acquire a 100% interest in the Roy Mine Property, Ontario.

In consideration of the Roy Mine Property, the Company shall make the following payments:

- i) issue 900,000 shares (issued at a value of \$138,000) to the vendors.
- ii) issue 600,000 shares to the vendors (issued at a value of \$51,000) and incur work commitments of \$50,000 (incurred) on August 22, 2017.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

During the year ended June 30, 2017, the Company entered into a joint venture agreement with Battery Mineral Resources Ltd. (“Battery”), whereby Battery will have the right to earn up to an 80% interest in the Roy Mine Property. The agreement required Battery to make the following payments:

- a) acquire a 40% interest in consideration of:
  - i) non-refundable cash payment of \$50,000 upon execution of the agreement (paid);
  - ii) incur exploration expenditures of \$100,000 on or before January 31, 2018 (incurred).
  
- b) acquire an additional 20% interest in consideration of:
  - i) non-refundable cash payment of \$50,000 on or before January 31, 2019 (paid);
  - ii) 150,000 common shares on or before January 31, 2019 (or \$30,000 non-refundable cash payment in lieu of shares at Battery’s option) (paid); and
  - iii) incur exploration expenditures of \$200,000 on or before January 31, 2019.

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## **8 Exploration and evaluation assets (cont'd)**

### **Roy Mine (Farr) Property, Ontario (cont'd)**

- c) acquire an additional 15% interest in consideration of:
  - i) cash payment of \$50,000 on or before January 31, 2020;
  - ii) 150,000 common shares on or before January 31, 2020 (or \$37,500 cash in lieu of shares at Battery's option); and
  - iii) incur exploration expenditures of \$200,000 on or before January 31, 2020.
  
- d) acquire the remaining 5% interest in consideration of 150,000 common shares (or \$45,000 cash in lieu of shares at Battery's option).

During the year ended June 30, 2018, Battery acquired the initial 40% interest in the property and did not exercise their right to acquire the additional interest.

### **Moosehead North Gold Property, British Columbia**

On September 19, 2018, the Company entered into an agreement to acquire a 100% interest in the Moosehead North Gold Property through the acquisition of 100% of the common shares of a privately held company that owns the property (note 6).

In consideration of the Moosehead North Property, the Company shall make the following payments over a period of 6 months:

- i) cash payment of \$20,000 (paid);
- ii) issuance of 10,000,000 common shares (issued and valued at \$500,000).

### **Parrott Lake Property, British Columbia**

On December 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Parrott Lake Property, British Columbia.

In consideration of the Parrott Lake Property, the Company shall make the following payments over a period of 6 months:

- iii) cash payment of \$100,000 (paid a non-refundable deposit of \$20,000);
- iv) issuance of 4,000,000 common shares.

During the year ended June 30, 2018, the Company abandoned the property acquisition and wrote off exploration and evaluation assets of \$20,000 (2017 - \$Nil).

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**9 Accounts payable and accrued liabilities**

	<b>September 30, 2018</b>	<b>June 30, 2018</b>
Trade accounts payable	\$ 28,631	\$ 118,766
Accrued liabilities	18,750	24,819
	47,381	143,585

During the year ended June 30, 2018, the Company wrote off outstanding accounts payable in the amount of \$22,070 (2017 - \$Nil).

During the year ended June 30, 2018, the Company recognized a gain in the amount of \$72,376 (2017 - \$9,635) through the settlement of certain accounts payable.

**10 Share capital**

Authorized:

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issuances:

**Period Ended September 30, 2018**

- a) On August 13, 2018, the Company issued 100,000 common shares pursuant to the exercise of options for a gross proceeds of \$7,000, and accordingly, the Company reallocated \$1,078 of share-based payment reserve to share capital.
- b) On August 15, 2018, the Company issued 200,000 common shares pursuant to the exercise of options for a gross proceeds of \$14,000, and accordingly, the Company reallocated \$2,156 of share-based payment reserve to share capital.
- c) On August 16, 2018, the Company issued 96,750 common shares pursuant to the exercise of warrants for a gross proceeds of \$6,772, and accordingly, the Company reallocated \$12,659 of share-based payment reserve to share capital.
- d) On August 23, 2018, the Company closed a private placement of 25,928,000 units at \$0.06 per unit for total gross proceeds of \$1,555,680. Each unit is comprised of one common share and one-half share purchase warrant exercisable at \$0.10 per share for a period of three years.

In connection with the private placement, the Company paid cash finder's fees totalling \$118,788 and issued 1,989,800 finder's warrants valued at \$62,600. Each finder's warrant is exercisable into one common share of the Company for a period of one year at a price of \$0.06. No value was allocated to the warrant component of the unit offering. The Company also paid other issuance costs of \$750.

- e) On September 17, 2018, the Company issued 10,000,000 common shares (valued at \$500,000) pursuant to the acquisition of 1174679 B.C. Ltd. (note 6).

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## **10 Share capital (cont'd)**

### **Year Ended June 30, 2018**

- a) On August 10, 2017, the Company issued 900,000 common shares for the Brazil Lake Cobalt Property valued at \$90,000 (Note 7).
- b) On August 22, 2017, the Company issued 600,000 common shares for the Roy Mine (Farr) Property valued at \$51,000 (Note 7).
- c) On October 11, 2017, the Company issued 4,500,000 common shares for the Clone Gold Property valued at \$450,000 (Note 7).
- d) On October 31, 2017 and November 14, 2017, the Company closed a private placement of 9,110,000 units at a price of \$0.10 per unit for total gross proceeds of \$911,000, of which \$50,000 was settled in McKinnon Hawkins Property payments (Note 7). Each unit is comprised of one common share and one-half of one share purchase warrant exercisable at \$0.15 per share for a period of 18 months. The warrants are subject to an acceleration clause, which states that the Company will have the right to accelerate the expiry date of the warrants if, at any time, the average closing price of the shares is equal to or greater than \$0.25 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release, announcing that it has elected to exercise this acceleration right. No value was allocated to the warrant component of the unit offering.

The Company paid cash commissions to the finders totaling \$36,000 and issued 210,000 finder's warrants (valued at \$12,200) exercisable into one common share of the Company for a period of 18 months at a price of \$0.10.

- e) On November 28, 2017, the Company issued 800,000 common shares for the McKinnon Hawkins Property valued at \$72,000 (Note 7).
- f) On January 9, 2018, the Company issued 100,000 common shares for the Evening Star Property valued at \$9,000 (Note 7).
- g) On January 9, 2018, the Company issued 150,000 common shares for the Evening Star Property valued at \$15,000 (Note 7).
- h) On February 6, 2018, the Company issued 100,000 common shares pursuant to the exercise of options for a gross proceeds of \$12,000, and accordingly, the Company reallocated \$6,200 of share-based payment reserve to share capital.
- i) On March 12, 2018, the Company issued 300,000 common shares for the Hemlo West Property valued at \$28,500 (Note 7).

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**10 Share capital (cont'd)**

Share purchase warrants:

During the period ended September 30, 2018, the Company issued:

- a) 1,989,800 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 12 months at a price of \$0.06. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$62,600 based on the following assumptions: dividend yield of 0%, expected life of 1.00 year, expected volatility of 87.06%, and a risk-free interest rate of 2.09%.

During the year ended June 30, 2018, the Company issued:

- a) 160,000 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 18 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$9,300 based on the following assumptions: dividend yield of 0%, expected life of 1.50 years, expected volatility of 130.72%, and a risk-free interest rate of 1.37%.
- b) 50,000 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 18 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$2,900 based on the following assumptions: dividend yield of 0%, expected life of 1.50 years, expected volatility of 131.51%, and a risk-free interest rate of 1.44%.

Details of share purchase warrant activity for the period ended September 30, 2018 and year ended June 30, 2018 is as follows:

Share purchase warrants outstanding	Period ended September 30, 2018		Year ended June 30, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	22,118,905	0.15	20,204,305	0.16
Granted	14,953,800	0.09	4,765,000	0.15
Exercised	(96,750)	0.07	-	-
Expired/forfeited	(69,000)	0.07	(2,850,400)	0.23
Outstanding – end of period	36,906,955	0.04	22,118,905	0.15

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## 10 Share capital (cont'd)

As at September 30, 2018, the Company has outstanding share purchase warrants as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
	#	\$
October 7, 2018*	4,727,092	0.25
October 7, 2018*	521,063	0.25
April 30, 2019	2,655,000	0.15
April 30, 2019	160,000	0.10
May 14, 2019	1,900,000	0.15
May 14, 2019	50,000	0.10
August 23, 2019	1,989,800	0.06
February 20, 2020**	5,000,000	0.12
October 29, 2020	100,000	0.50
June 15, 2021	6,840,000	0.10
August 23, 2021	12,964,000	0.10
	36,906,955	

\* expired subsequently

\*\* extended from August 18, 2018 to February 20, 2020

## 11 Share-based compensation

The Company has a Stock Option Plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants and employees of the Company. The number of options granted under the Plan is limited to 10% of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant of the options and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the discounted market price (as that term is defined in the policies of the Exchange) of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum term of five years, are non-transferable and expire within 90 days of termination of employment or holding office as a director, officer, employee or consultant of the Company and in the case of death, expire within one year thereafter. The options generally vest on the date of grant, however, the Board of Directors may specify a vesting period on a grant-by-grant basis.

During the period ended September 30, 2018, the Company:

- i) granted incentive stock options to purchase 750,000 common shares at a price of \$0.06 until August 1, 2020.
- ii) granted incentive stock options to purchase 350,000 common shares at a price of \$0.07 until August 16, 2020.

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## 11 Share-based compensation (cont'd)

During the year ended June 30, 2018, the Company:

- i) granted incentive stock options to purchase 150,000 common shares at a price of \$0.11 until July 5, 2018.
- ii) granted incentive stock options to purchase 300,000 common shares at a price of \$0.10 until September 8, 2018.
- iii) granted incentive stock options to purchase 200,000 common shares at a price of \$0.10 until September 20, 2018.
- iv) granted incentive stock options to purchase 1,150,000 common shares at a price of \$0.10 until September 24, 2018.
- v) granted incentive stock options to purchase 300,000 common shares at a price of \$0.10 until October 11, 2018.
- vi) granted incentive stock options to purchase 100,000 common shares at a price of \$0.10 until October 23, 2018.
- vii) granted incentive stock options to purchase 600,000 common shares at a price of \$0.10 until October 31, 2018.
- viii) granted incentive stock options to purchase 900,000 common shares at a price of \$0.07 until August 15, 2018.

The fair value of options granted was calculated using the Black-Scholes Model for total share-based payment expense of \$39,700 (2017 - \$26,600) based on the following weighted average assumptions:

	Period ended September 30, 2018	Year ended June 30, 2018
Risk-free interest rate	2.05%	1.68%
Expected life of options	2.00 years	0.75 years
Annualized volatility	109.93%	87.90%
Dividend yield	0%	0%
<b>Fair value per option</b>	<b>\$0.04</b>	<b>\$0.09</b>

Details of stock option activity for the period ended September 30, 2018 and year ended June 30, 2018:

Stock options outstanding	Period ended September 30, 2018		Year ended June 30, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	4,050,000	0.11	2,725,000	0.15
Granted	1,100,000	0.06	3,700,000	0.09
Exercised	(300,000)	0.07	(100,000)	0.12
Expired/forfeited	(2,200,000)	0.11	(2,275,000)	0.12
Outstanding – end of period	2,650,000	0.10	4,050,000	0.11

As at September 30, 2018, share purchase options outstanding have a weighted average remaining contractual life of 0.81 years (June 30, 2018 – 0.21 years).

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## 11 Share-based compensation (cont'd)

The following table discloses the number of options and vested options outstanding as at September 30, 2018:

Number of options outstanding	Number of options vested	Exercise price	Expiry date
#	#	\$	
300,000	300,000	0.10	October 11, 2018*
100,000	100,000	0.10	October 23, 2018*
500,000	500,000	0.10	October 31, 2018*
650,000	650,000	0.16	November 1, 2018*
750,000	750,000	0.06	August 1, 2020
350,000	350,000	0.07	August 16, 2020
2,650,000	2,650,000		

\* expired subsequently

## 12 Related party transactions

The Company's related parties include its subsidiaries and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

During the period ended September 30, 2018 and 2017, the Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	Three months ended September 30, 2018	Three months ended September 30, 2017
	\$	\$
Consulting fees	-	21,426
Office management services	36,000	35,000
	36,000	56,426

Included in accounts payable and accrued liabilities at September 30, 2018 is \$12,600 (June 30, 2018 - \$44,100) owed to companies owned by current and former officers/directors of the Company.

During the year ended June 30, 2018, the Company received a non-interest bearing loan of \$206,500 from a company controlled by key management personnel. During the period ended September 30, 2018, the loan was repaid in full.

### **13 Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity (deficit), as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

### **14 Subsequent event**

Subsequent to September 30, 2018, the Company issued 2,000,000 common shares and paid \$50,000 in cash pursuant to the amended option agreement for the Clone Gold Property entered into by the Company on October 3, 2018 (note 7).