Consolidated Financial Statements

For the year ended June 30, 2019 and 2018

(Stated in Canadian Dollars)

Mexican Gold Corp.

Independent Auditor's Report

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To the Shareholders of
Mexican Gold Corp.

Opinion

We have audited the consolidated financial statements of Mexican Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2019 and June 30, 2018, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of Mexican Gold Corp. as at June 30, 2019 and June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the financial statements which indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Canada
October 7, 2019

Chartered Professional Accountants
Licensed Public Accountants

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

As of	**June 30 2019 $**	June 30 2018 $
ASSETS		
Current assets		
Cash and cash equivalents	**318,553**	185,658
Investments *[note 5]*	**-**	25,000
Amounts receivable *[note 6]*	**287,825**	166,647
Prepaids and deposits	**114,778**	426,179
Total current assets	**721,156**	803,484
Total assets	**721,156**	803,484
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**436,503**	158,305
Convertible note *[note 7]*	**450,000**	-
Total current liabilities	**886,503**	158,305
EQUITY		
Share capital *[note 9]*	**26,564,912**	24,590,926
Reserves *[note 9]*	**3,743,013**	3,411,766
Foreign currency translation	**(3,472)**	(33,100)
Deficit	**(30,469,800)**	(27,324,413)
Total equity	**(165,347)**	645,179
Total liabilities and equity	**721,156**	803,484

Nature of Business and Going Concern [note 1]
Subsequent events [note 15]

See accompanying notes to the consolidated financial statements

These financial statements are authorized for issue by the Board of Directors on October 07, 2019.

They are signed on the Corporation's behalf by:

"Philip O'Neill" Director

"Ali Zamani" Director

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

For the year ended	**June 30 2019 $**	June 30 2018 $
EXPENSES		
Exploration and evaluation *[note 8]*	**1,558,786**	1,627,614
General and administrative	**1,301,694**	1,351,074
Professional fees	**55,344**	76,297
Share-based payments *[note 9]*	**282,790**	653,198
(Recovery) write-off of Value Added Tax	**-**	(202,313)
Total expenses	**3,198,614**	3,505,870
Other income		
Interest income	**3,227**	10,960
Other *[note 8]*	**50,000**	-
Loss	**(3,145,387)**	(3,494,910)
Exchange differences on translation of foreign operations	**29,628**	(34,562)
Comprehensive loss for the year	**(3,115,759)**	(3,529,472)
Basic and diluted loss per share *[note 10]*	**(0.06)**	(0.09)

See accompanying notes to the consolidated financial statements

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the year ended June 30,	2019 $	2018 $
OPERATING ACTIVITIES		
Loss for the year	**(3,145,387)**	(3,494,910)
Add charges to earnings not involving a current payment of cash		
Share-based payments	**282,790**	653,198
Non-cash operating expenses	**-**	20,000
	(2,862,597)	(2,821,712)
Changes in non-cash working capital balances related to operations		
Amounts receivable	**(119,461)**	(130,793)
Prepaids and deposits	**312,607**	98,729
Accounts payable and accrued liabilities	**300,371**	22,116
Cash used in operating activities	**(2,369,080)**	(2,831,660)
INVESTMENT ACTIVITIES		
Proceeds from sale (redemption) of investments	**25,000**	(25,000)
Cash provided by (used in) investment activities	**25,000**	(25,000)
FINANCING ACTIVITIES		
Proceeds from convertible debenture	**450,000**	-
Proceeds from private placement	**2,143,000**	1,046,950
Proceeds from the exercise of share purchase warrants	**-**	1,220,816
Share issue costs	**(120,557)**	(24,943)
Cash provided by financing activities	**2,472,443**	2,242,823
Decrease in cash and cash equivalents during year	**128,363**	(613,837)
Cash and cash equivalents, beginning of year	**185,658**	834,057
Effect of exchange rate on cash held	**4,532**	(34,562)
Cash and cash equivalents, end of year	**318,553**	185,658

See accompanying notes to the consolidated financial statements

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

	Share Capital		Reserves				
Issued and outstanding:	Number of Shares	Share Capital	Warrants	Equity Settled Employee Benefits	Foreign currency translation	Deficit	Total Equity
Balance as at June 30, 2017	34,175,229	$22,328,103	$166,960	$2,591,608	$1,462	$(23,829,503)	$1,258,630
Private placements *[note 9]*	3,489,833	1,046,950	-	-	-	-	1,046,950
Share-based payments	-	-	-	653,198	-	-	653,198
Share issue costs	-	(24,943)		-	-	-	(24,943)
Expiry of warrants	4,883,265	1,220,816	-	-	-	-	1,220,816
Shares issued as compensation *[note 9]*	78,431	20,000	-	-	-	-	20,000
Comprehensive loss for the year	-	-	-	-	(34,562)	(3,494,910)	(3,529,472)
Balance as at June 30, 2018	42,626,758	24,590,926	166,960	3,244,806	(33,100)	(27,324,413)	645,179
Share-based payments	-	-	-	282,790	-	-	282,790
Private placement *[note 9]*	10,715,000	2,143,000	-	-	-	-	2,143,000
Share issue costs	-	(169,014)	48,457	-	-	-	(120,557)
Comprehensive loss for the year	-	-	-	-	29,628	(3,145,387)	(3,115,759)
Balance as at June 30, 2019	**53,341,758**	**$26,564,912**	**$215,417**	**$3,527,596**	**$(3,472)**	**$(30,469,800)**	**$(165,347)**

See accompanying notes to the consolidated financial statements

(Incorporated under the laws of Ontario)

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Going concern

At June 30, 2019, the Corporation had not yet achieved profitable production, had accumulated losses of $30,469,800 (2018 - $27,324,413), had a current working capital deficit of $165,347 (2018 - working capital surplus of $645,179) and expects to incur further losses in the development of its business. These circumstances indicate the existence of material uncertainties that may create significant doubt about the Corporation's ability to continue as a going concern. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due and there is no assurance that these initiatives will be successful. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The consolidated financial statements of the Corporation for the period ended June 30, 2019 were approved and authorized by the Board of Directors on October 07, 2019.

Basis of Consolidation

The Corporation's financial statements consolidate those of the parent Corporation and its subsidiary undertakings drawn up to June 30, 2019. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights.

	Percentage of ownership	Jurisdiction	Principal activity
Roca Verde Exploracion Mexico, S.A. de C.V. ("Roca Verde")	100%	Mexico	Mineral exploration

All transactions and balances between the Corporation and its subsidiary are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of its subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars (CDN), which is also the functional currency of the Corporation. The functional currency of the Corporation's subsidiary, Roca Verde, is the Mexican Peso.

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events, or conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporations' subsidiary are translated into Canadian upon consolidation. On consolidation, assets and liabilities have been translated into CAD at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into CAD at the closing rate.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Corporation become party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Corporation considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

<u>Financial assets at FVPL</u>

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

Financial assets at FVOCI

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

Financial assets at amortized cost

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

Financial liabilities

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

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

Fair values

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

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

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from 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); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

At each balance sheet date, on a forward-looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Corporation has transferred its rights to receive cash flows from the asset, the Corporation will assess whether it has relinquished control of the asset or not. If the Corporation does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

Exploration and Evaluation

The Corporation is in the process of exploring its mineral properties and chooses to expense acquisition costs for property rights. Mineral property acquisition costs include the cash consideration given, direct legal costs incurred for the acquisition, and issuance of shares for mineral property interests. Where the Corporation has entered into an option agreement for the acquisition of an interest in a mineral property which provides for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the Corporation's discretion.

Exploration, evaluation and pre-development expenditure consist of :
- gathering exploration data through topographical and geotechnical studies;
- exploratory drilling, trenching and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting engineering, marketing and financial studies.

The Corporation has adopted the policy of expensing exploration costs and periodic maintenance costs incurred prior to the determination that a property has economically recoverable reserves.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Convertible notes

The Corporation classifies its convertible note as a financial liability at fair value through profit and loss (FVTPL). The conversion option feature allows for conversion into units, comprising shares and share purchase warrants, at a fixed discount to market and subject to a minimum share price, does not meet the definition of an equity instrument and represents an embedded derivative that would otherwise need to be separated from the host debt liability. Accordingly, the Corporation has elected to designate the entire instrument (hybrid contract) at initial recognition at FVTPL with any subsequent changes in fair value recognized as an unrealized gain or loss in statement of loss and comprehensive loss. All related transaction costs are expensed as incurred. For liabilities designated at FVTPL, the portion of the fair value change relating to an entity’s own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates or enlarges an accounting mismatch in profit or loss.

Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation’s common shares, reserves, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation’s investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

Share-based payment transactions

The Corporation operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are less than that estimated on vesting.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in the profit and loss.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation's operating segments are its separately identifiable exploration and evaluation properties note 8.

Significant accounting judgements and estimates

In the application of the Corporation's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates include:

- the inputs used in accounting for share-based payments expense;
- the inputs used in accounting for finders warrants;
- the inputs used in accounting for convertible debt;
- the provision for income taxes.

Significant judgements

The following are significant judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Functional currency

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Deferred income tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Corporation's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Corporation operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in *[note 11]*.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2018. The following new standards have been adopted:

- IFRS 15, Revenue from Contracts with Customers establishes an single model in accounting for revenue arising from contracts with customers. This supercedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. There was no impact on the financial statements; and

- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities. There was no impact on the financial statements.

Accounting standards issued and effective July 1, 2019

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

- IFRS 16, Leases introduces new requirements for the classification and measurement of leases. The standard is effective for annual reporting periods beginning January 1, 2019 although early application is permitted for companies that also apply IFRS 15 – Revenue from Contracts with Customers. The Corporation will adopt it using the modified retrospective approach, resulting in no restatement of prior year comparatives and the cumulative impact of applying IFRS 16 will be recognized at July 1, 2019. The Corporation has completed the assessment of it's equipment and building rentals, land leases and service agreements and determined there will be no significant impact on lease expense or depreciation expense. Upon adoption, the Corporation has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (lease term of 12 months or less) and low value assets ($5,000 or less). There was close attention paid to all of the Corporation's drilling contracts to ensure that they did not contain embedded leases for property,plant and equipment. None of those contracts resulted in right of use of an asset. The quantitative impact of adopting IFRS 16 will be provided in the Corporation's first 2020 quarterly report.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

4. SEGMENTED INFORMATION

The Corporation currently operates in one operating segment, the exploration of mineral properties in Mexico. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

As at June 30, 2019

	Canada $	Mexico $	Total $
Segmented Assets	**452,223**	**268,933**	**721,156**
Segmented Liabilities	**(845,066)**	**(41,437)**	**(886,503)**
For the year ending June 30, 2019			
Operating activities			
Exploration and evaluation	-	1,558,786	**1,558,786**
General and administrative	1,288,750	12,944	**1,301,694**
Professional fees	33,566	21,778	**55,344**
Share-based payments	282,790	-	**282,790**
Recovery of Value Added Tax	-	-	**-**
Total	**1,605,106**	**1,593,508**	**3,198,614**
Loss	**(1,604,757)**	**(1,540,630)**	**(3,145,387)**

As at June 30, 2018

	Canada $	Mexico $	Total $
Segmented Assets	635,522	167,962	803,484
Segmented Liabilities	(106,410)	(51,895)	(158,305)
For the year ending June 30, 2018			
Operating activities			
Depreciation	-	-	-
Exploration and evaluation	200	1,627,414	1,627,614
General and administrative	1,281,842	69,232	1,351,074
Professional fees	76,297	-	76,297
Share-based payments	653,198	-	653,198
Recovery of Value Added Tax	-	(202,313)	(202,313)
Total	2,011,537	1,494,333	3,505,870
Loss	(2,011,137)	(1,483,773)	(3,494,910)

(Stated in Canadian Dollars)

5. INVESTMENTS

At June 30, 2019, the Corporation no longer held any investments [June 30, 2018 - $25,000, maturing May 28, 2019, yielding 0.50%].

6. AMOUNTS RECEIVABLE

	2019 $	2018 $
HST recoverable (i)	**5,083**	21,605
VAT receivable	**226,457**	145,042
Other	**56,285**	-
Total current assets	**287,825**	166,647

(i) CanadianHarmonized Sales Tax receivable.
(ii) Mexican Value-Added Tax receivable.
(iii) Other relates to a payment made to a vendor which was determined to be reassesed and the amount was refunded after year end.

7. CONVERTIBLE NOTE

On June 17, 2019, the Corporation entered into a letter agreement for the assignment of royalty rights ("Letter Agreement") (see note 8 - Exploration and Evaluation) with 1198578 B.C. Ltd. ("BC Co.") whereby, as part of entering into this Letter Agreement, B.C. Co. would advance to the Corporation a cash loan in the amount of $450,000 (the “Loan”) pursuant to the terms of a promissory note ("Promissory Note"). The Promissory Note shall be unsecured, and non-interest bearing and will mature and become due and payable on the first date, following execution of this Letter Agreement, on which the Corporation completes an equity financing for aggregate proceeds of not less than $1,000,000 (the “Equity Financing”). Furthermore, the Corporation also received $50,000 from B.C. Co. in exchange for the Corporation’s right of first refusal on the Las Minas royalties.

At any time on or after the date that is six (6) months after the date of the Promissory Note, BC Co. may, subject to the approval of the TSX Venture Exchange (the “Exchange”), elect on written notice (the “Settlement Notice”) to settle (the “Settlement”) the entire outstanding amount of the Loan in exchange for in the capital of the Corporation. Each unit will be comprised of:

(a) one common share of the Corporation, at a price per common share (the “Share Price”) equal to a 10% discount to the applicable closing Market Price (as defined in the policies of the Exchange) of the Corporation’s common shares on the Exchange on the date that BC Co. delivered the Settlement Notice to the Corporation, subject to a minimum price of $0.05 per common shares; and
(b) one share purchase warrant exercisable to acquire one common share of the Corporation at a price equal to 150% of the Share Price for a period of two years from the date of issuance.

Subsequent to year end, as a result of the private placement completed (see note 14 - Subsequent Events), the convertible note was repaid in full.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

8. EXPLORATION AND EVALUATION

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consist of the following:

	Las Minas and La Miqueta $	Year ended June 30, 2019 $	Year ended ended June 30, 2018 $	Inception to date total $
Analytical	**-**	**-**	-	376,149
Geological and consulting	**251,338**	**251,338**	583,273	4,094,094
Transportation and accommodation	**-**	**-**	-	177,174
Drilling	**-**	**-**	719,041	6,333,021
Geophysical	**-**	**-**	22,819	97,498
Operational support	**103,009**	**103,009**	133,424	512,399
Other	**-**	**-**	1,067	402,026
Subtotal	**354,347**	**354,347**	1,459,624	11,992,361
Acquisition costs / Option payments	**1,204,439**	**1,204,439**	167,990	3,209,127
Total expenditures	**1,558,786**	**1,558,786**	1,627,614	15,201,488

Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive letters of intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$190,000 plus VAT over the next 36 months and a final payment of US$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required $200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.

Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US $130,000 over a 6 month period ending May 5, 2014, US $150,000 on December 5, 2014, with a final payment of US $1,300,000 on December 5,

2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US $1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Mexican Gold at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 ($246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

Extension of Las Minas option agreement to 2017

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US $12,500 (paid) cash consideration and $12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US $12,500 (paid) cash consideration and US $12,500 (issued) in common shares of Mexican Gold on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US $500,000 to US $150,000 (paid) (Cdn$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

Acquisition of Pepe, Pepe Tres and San Jose concessions

On June 8, 2017, the Corporation through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US$433,333 (Cdn$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") (paid);

- six equal payments of US$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and
- a final payment of US$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration") (paid).

In December 2018, the Corporation's subsidiary Roca Verde completed the final payment of the Purchase Agreement to acquire the 100% interest in the Pepe, Pepe Tres, and San Jose concessiona at the Las Minas property.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.

Assignment of Royalty Rights - Letter Agreement

On June 17, 2019, the Corporation entered into a letter agreement ("Letter Agreement") pursuant to which Mexican Gold Corp. caused its wholly owned subsidiary, Roca Verde Exploracion de Mexico S.A. de C.V., to sell and assign (the “Assignment”) the Royalty Rights (as defined below) to 1198578 B.C. Ltd. (“BC Co”), and pursuant to which BC Co advanced a Loan (see note 7 - Convertible Note) to the Corporation.

Royalty Rights

Pursuant to an agreement dated June 5, 2017 (the “Property Agreement”), on December 18, 2018, Roca acquired a 100% interest (subject only to the Royalty, as defined below) in the mineral concessions located the State of Veracruz, Mexico, known as the Las Minas property(the “Property”).

Pursuant to the terms of the Property Agreement, Roca granted the vendors of the Property (the “Vendors”) a 1.5% Net Smelter Royalty (plus Value Added Tax) (the “Royalty”) on the income received from the sale of minerals, metals or concentrate obtained from the Property. Pursuant to the Property Agreement the Vendors granted Roca:

1. a right of first refusal to acquire rights to the Royalty (subject to the Acquisition Right, as defined below) in the event that the Vendors intend to transfer all or any part of the Royalty to any third party, on the same terms under which the Vendors offer it to such third party (the “ROFR”); and
2. an exclusive right to repurchase one third of the Royalty (0.5% of net smelter returns) from the Vendors for an acquisition price of USD $500,000 (the “Acquisition Right”).

The ROFR and the Acquisition Right are referred to herein collectively as the “Royalty Rights”.

Terms of Assignment

The Corporation and Roca agreed to irrevocably assign, transfer and sell the Royalty Rights to BC Co for the following consideration (the “Consideration”), payable within five (5) calendar days after signing this Letter Agreement:

a. BC Co making a cash payment of CAD $50,000 direct to Roca (paid);
b. BC Co advancing the Loan (see note 7 - Convertible Note) to the Corporation;
c. BC Co depositing CAD $500,000 (the “Escrow Funds”) into escrow with the Corporation’s legal counsel, Farris LLP, as escrow agent (paid).

Within ninety (90) calendar days after the date hereof (the “Assignment Deadline”), the Corporation shall use its best efforts to cause Roca to enter into an assignment agreement (the “Local Assignment”) with BC Co, or its affiliate, which shall be governed under applicable Mexican law and which shall constitute an irrevocable and legally binding assignment by Roca of the Royalty Rights to BC Co, or its affiliate. the Corporation Shall use its best efforts to cause Roca to make all necessary filings and registrations and to provide all requisite notices in all applicable local mining and government registries necessary to give legal and binding effect to the Local Assignment under applicable Mexican laws. Notwithstanding any future commitment or promise made in this paragraph, the parties acknowledged and agreed that it is the intent of the parties that the sale and assignment of the Royalty Rights pursuant to this Letter Agreement to be binding and irrevocable obligations of the parties.

Equity Financing

BC Co covenanted and agreed that it would use the Escrow Funds to subscribe to and participate in the Equity Financing (see Subsequent Events - note 14), for a minimum subscription amount of:

a. if the Settlement has not been completed and the Loan remains outstanding, $950,000, inclusive of the Escrow Funds, a portion of which funds will be used by the Corporation to repay the Loan; or
b. if the Settlement has been completed and the Loan has been settled and repaid, $500,000, inclusive of the Escrow Funds.

Exercise of Royalty Rights

In the event that BC Co exercises the ROFR prior to the Corporation's board of directors making a decision to commence production on any portion of the Property (a "Production Decision"), then at the time that a Production Decision is made, the Corporation must pay BC Co US $500,000 (the "Payment Obligation"), which BC Co must use to exercise the Acquisition Right.

In the event that the Corporation, proposes to sell, transfer, assign or dispose of any portion of the Property prior to a Production Decision having been made, the Corporation must first ensure that any prospective purchaser or transferee of the Property must agree in writing to be bound, in favour of BC Co to:

a. satisfy payment of the Payment Obligation in the event that a Production Decision is made; and
b. that it shall not to sell, transfer, assign or dispose of any portion of the Property, unless and until the prospective purchaser or transferee of the Property agrees in writing to be bound, in favour of BC Co to satisfy payment of the Payment Obligation in the event that a Production Decision is made.

9. CAPITAL AND RESERVES

i. Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii. Details of share issuances

2019

On November 22, 2018, the Corporation closed the first tranche of non-brokered private placement of 10,315,000 common shares (each a "Unit") at a price of $0.20 for gross proceeds of $2,063,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of $0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than $0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option"). In connection with the closing of the first tranche, the Corporation paid to certain eligible finders $76,510 in cash fees in the aggregate and issued a total of 356,300 compensation warrants which are exercisable at a price of $0.30 per Common Share for thirty-six months, subject to the Corporation's Acceleration Option.

On March 13, 2019, the Corporation closed the second and final tranche of non-brokered private placement of 400,000 common shares (each a "Unit") at a price of $0.20 for gross proceeds of $80,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of $0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than $0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option"). Share issue costs of $169,014 were deducted from equity.

2018

(i) On August 9, 2017, the Corporation issued 78,431 shares with a deemed value of $20,000 as compensation.

(ii) On April 10, 2018, the Corporation closed a non-brokered private placement of 3,489,833 common shares (each a "Unit") at a price of $0.30 for gross proceeds of $1,046,950. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of $0.60 for a period of thirty-six months. Share issue costs of $24,943 were deducted from equity.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

iii. Warrants

The following table reflects the continuity of warrants for the year ended June 30, 2019:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,197,812	-	-	(4,197,812)	**-**
November 30, 2018*	0.250	270,920	-	-	(270,920)	**-**
March 03, 2019	0.250	8,213,068	-	-	(8,213,068)	**-**
March 03, 2019*	0.250	72,000	-	-	(72,000)	**-**
May 15, 2019	2.000	1,025,717	-	-	(1,025,717)	**-**
May 15, 2019*	2.000	51,738	-	-	(51,738)	**-**
May 25, 2019	0.450	5,990,270	-	-	(5,990,270)	**-**
May 25, 2019*	0.450	75,950	-	-	(75,950)	**-**
April 10, 2021	0.600	3,489,833	-	-	-	**3,489,833**
November 22, 2021	0.300	-	10,315,000	-	-	**10,315,000**
November 22, 2021*	0.300	-	356,300	-	-	**356,300**
March 13, 2022	0.300	-	400,000	-	-	**400,000**
		23,387,308	11,071,300	-	(19,897,475)	**14,561,133**
Weighted average exercise price		0.340	0.300	-	0.41	**0.370**

* Finder's warrants.

The following table reflects the continuity of warrants for the year ended June 30, 2018:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,987,112	-	(789,300)	-	**4,197,812**
November 30, 2018*	0.250	270,920	-	-	-	**270,920**
March 03, 2019	0.250	12,307,033	-	(4,093,965)	-	**8,213,068**
March 03, 2019*	0.250	72,000	-	-	-	**72,000**
May 15, 2019	2.000	1,025,717	-	-	-	**1,025,717**
May 15, 2019*	2.000	51,738	-	-	-	**51,738**
May 25, 2019	0.450	5,990,270	-	-	-	**5,990,270**
May 25, 2019*	0.450	75,950	-	-	-	**75,950**
April 10, 2021	0.600	-	3,489,833	-	-	**3,489,833**
		24,780,740	3,489,833	(4,883,265)	-	**23,387,308**
Weighted average exercise price		0.390	0.600	0.25	-	**0.440**

* Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

	2019	**2018**
Risk-free interest rate	**2.2709%**	1.5979%
Annualized volatility**	**149.11%**	170.32%
Expected dividend	**NIL**	NIL
Expected warrant life in years	**3**	5

** Volatility was estimated based on the historical share price of the Corporation.

(Stated in Canadian Dollars)

iv. Share purchase option compensation plan

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at June 30, 2019:

Expiry Date	Exercise Price $	Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	Closing Balance #
June 20, 2019	1.350	290,000	-	-	(290,000)	-
March 20, 2020	0.800	184,000	-	-	-	184,000
May 24, 2022	0.350	400,000	-	-	-	400,000
May 29, 2022	0.360	100,000	-	-	-	100,000
March 07, 2027	0.300	1,250,000	-	-	-	1,250,000
May 29, 2027	0.360	950,000	-	-	-	950,000
May 29, 2027	0.550	250,000	-	-	-	250,000
November 20, 2027	0.360	200,000	-	-	-	200,000
December 12, 2027	0.350	167,466	-	-	-	167,466
April 20, 2028	0.390	174,000	-	-	-	174,000
May 16, 2028	0.370	100,000	-	-	-	100,000
		4,065,466	-	-	(290,000)	3,775,466
Weighted average exercise price		0.440	-	-	1.350	0.440

The following table reflects the stock options outstanding as at June 30, 2018:

Expiry Date	Exercise Price $	Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	Closing Balance #
August 29, 2017	2.000	51,500	-	-	(51,500)	-
June 20, 2019	1.350	374,000	-	-	(84,000)	290,000
March 20, 2020	0.800	199,000	-	-	(15,000)	184,000
September 01, 2020	0.800	14,000	-	-	(14,000)	-
May 24, 2022	0.350	400,000	-	-	-	400,000
May 29, 2022	0.360	100,000	-	-	-	100,000
March 07, 2027	0.300	1,250,000	-	-	-	1,250,000
May 29, 2027	0.360	950,000	-	-	-	950,000
May 29, 2027	0.550	250,000	-	-	-	250,000
November 20, 2027	0.360	-	200,000	-	-	200,000
December 12, 2027	0.350	-	167,466	-	-	167,466
April 20, 2028	0.390	-	174,000	-	-	174,000
May 16, 2028	0.370	-	100,000	-	-	100,000
		3,588,500	641,466	-	(164,500)	4,065,466
Weighted average exercise price		0.500	0.370	-	1.460	0.440

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $282,790 was recorded as compensation for the options vested during the period, of which $54,229 relates to the March 7, 2027 that vested, $95,172 relates to the May 29, 2027 options that vested, $29,136 relates to the December 12, 2027 options that vested, $32,035 relates to the November 20, 2027 options that vested, $45,522 relates to the April 20, 2028 options that vested and $26,696 relates to the May 16, 2028 options that vested (2018 - $653,198 was recorded as compensation during the period). As of June 30, 2019 there are 305,155 unvested stock options, (2018- 2,767,466 unvested).

(Stated in Canadian Dollars)

* No options exercised during the year ending June 30, 2019 (164,500 - for the year ending June 30, 2018)

** The weighted average remaining life of the outstanding stock options is 3.03 years (June 30, 2018 - 8.05 years).

The Corporation currently estimates the forfeiture rate to be nil.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2019	**2018**
Risk-free interest rate	**n/a**	2.0
Annualized volatility*	**n/a**	174.17% - 174.35%
Expected dividend	**n/a**	NIL
Expected option life in years	**n/a**	10

*Volatility was estimated based on the historical share price of the Corporation.

10. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

		2019		2018
Numerator:				
Net loss	**$**	**(3,145,387)**	$	(3,494,910)
Denominator:				
Weighted average number of common shares		**48,965,662**		37,626,013
Weighted average loss per share		**(0.06)**		(0.09)

(Incorporated under the laws of Ontario)

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

11. INCOME TAXES

The income tax recovery attributable to Loss before income taxes differs from the amount computed by applying the combined statutory tax rates of 26.50% (2018- 26.50%) to pre-tax loss as a result of the following:

	2019 $	2018 $
Loss	**(3,145,387)**	(3,494,910)
Expected income tax recovery from applying tax rate	**(846,685)**	(926,151)
Increase (decrease) from:		
Stock compensation	**74,939**	173,097
Non deductible and non taxable items	**708**	2,057
Tax differential on foreign operations	**23,576**	25,450
Other timing differences	**(31,023)**	(49,954)
Deferred tax assets not recognized	**778,485**	775,501
Income tax expense reflected in the statement of loss	**-**	-

Significant components of the Corporation's future income tax assets, after applying Canadian Federally enacted corporate income tax rates, 2019 - 25.00% (2018 - 25.00%) and Mexican income tax rate, 2019 - 30.00% (2018 - 30.00%), is as follows:

	2019 $	2018 $
Equipment	**19,052**	19,052
Mineral property interests	**5,020,417**	4,709,965
Non-capital losses	**3,245,737**	2,787,485
Share issue costs	**51,725**	41,943
	8,336,931	7,558,445
Deferred tax assets not recognized	**(8,336,931)**	(7,558,445)
	-	-

Subject to confirmation by income tax authorities, the Corporation has the following undeducted tax pools

	2019 $	2018 $
Non-capital losses	**12,201,499**	10,472,978
Undepreciated capital cost	**71,893**	71,893
Share issues costs	**195,188**	158,277
Mineral property interests	**18,159,862**	17,076,580
Net deferred income tax assets	**30,628,442**	27,779,728

Tax losses expire in 2039.

(Stated in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
Drax Services Limited	Corporate secretarial and filing services
Halstone Corporate Services Ltd.	Accounting and management services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

(a) Included in general and administrative expenses are amounts totaling $16,868 (2018 - $7,500) for corporate secretarial and filing services provided by DRAX Services Limited, a Corporation related to the Corporation through the Corporate Secretary of the Corporation.

(b) Included in general and administrative expenditures are amounts totaling $24,445 (2018 - $Nil) for accounting and management services provided by Halstone Corporate Services Ltd., a company related to the Corporation through the Chief Financial Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	$	$
Salary and wages	**101,301**	180,597
Share-based payments	**202,243**	554,217
Other compensation	**9,044**	3,732
	312,588	738,546

(i) As at June 30, 2019, the directors and key management were owed $224,026 (June 30, 2018 - $49,169) and this amount was included in accounts payable and accrued liabilities.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

[b] Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At June 30, 2019, the Corporation had a working capital deficit of $165,347. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

Accounts payable and accrued liabilities, and convertible debt are due within the current operating period.

[c] 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 risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The convertible note is non-interest bearing.

[d] Currency risk
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at June 30, 2019, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At June 30, 2019 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of $68,255.

The Corporation does not invest in derivatives to mitigate these risks.

(Stated in Canadian Dollars)

[e] Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1:quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or
indirectly (i.e., derived from prices); and
Level 3:inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1 $	**Level 2** $	**Level 3** $	**Total** $
Liabilities				
Convertible note	-	**450,000**	-	**450,000**

14. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital, that as at June 30, 2019 totaled $30,307,925 (2018 - $28,002,692). The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

15. SUBSEQUENT EVENTS

On July 15, 2019, the Corporation closed a non-brokered private placement comprised of 50,000,000 units of the Corporation (the “Units”) at an issue price of $0.08 per Unit for aggregate gross proceeds of $4,000,000 (the “Offering”). Each Unit consists of one common share in the capital of the Corporation (a "Common Share") and one transferable Common Share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Common Share at an exercise price of $0.12 per Common Share for a period of five years, expiring July 15, 2024. All securities to be issued in connection with the private placement will be subject to a hold period expiring November 16, 2019.

On July 17, 2019, the Corporation granted 4,150,000 stock options to Directors, Officers and Consultants of the Corporation at an exercise price of $0.105 per share, expiring July 17, 2024.

On September 1, 2019, the Corporation granted 650,000 stock options to Officers and Consultants of the Corporation at an exercise price of $0.115 per share, expiring September 1, 2024.

Subsequent to year end, a total of 2,313,466 options were cancelled or expired.