RHYOLITE RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED JUNE 30, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rhyolite Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Rhyolite Resources Ltd. (the “Company”), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders’ 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

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.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 Company 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 Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 2, 2019

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	June 30, 2019	June 30, 2018
Assets		
Current assets		
Cash	**$ 2,641,085**	$ 1,451,233
Amounts receivable (Note 5)	**967**	748
Total current assets	**2,642,052**	1,451,981
Mineral properties (Note 4)	**44,615**	44,615
Total Assets	**$ 2,686,667**	$ 1,496,596
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 8)	**$ 19,780**	$ 16,488
Total liabilities	**19,780**	16,488
Shareholders' equity		
Share capital (Notes 7 and 8)	**6,244,992**	4,850,804
Equity reserves (Note 7)	**122,683**	245,446
Deficit	**(3,700,788)**	(3,616,142)
Total shareholders' equity	**2,666,887**	1,480,108
Total liabilities and shareholders' equity	**$ 2,686,667**	$ 1,496,596

Basis of presentation (Note 2)

On behalf of the Board of Directors:

Signed: "Michael Basha" Director

Signed: "Richard Graham" Director

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

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	**Amount**	**Equity Reserves**	**Deficit**	**Total**
Balance, June 30, 2017	43,491,450	$ 4,865,497	$ 249,781	$ (3,539,972)	$ 1,575,306
Exercise of warrants	46,250	11,273	(4,335)	-	6,938
Share issuance costs	-	(25,966)	-	-	(25,966)
Loss for the year	-	-	-	(76,170)	(76,170)
Balance, June 30, 2018	43,537,700	4,850,804	245,446	(3,616,142)	1,480,108
Exercise of warrants	8,509,500	1,399,188	(122,763)	-	1,276,425
Share issuance costs	-	(5,000)	-	-	(5,000)
Loss for the year	-	-	-	(84,646)	(84,646)
Balance, June 30, 2019	**52,047,200**	**$ 6,244,992**	**$ 122,683**	**$ (3,700,788)**	**$ 2,666,887**

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

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year Ended June 30, 2019		Year Ended June 30, 2018
Exploration and evaluation expenses (Note 4)	**$**	**30,500**	$	11,464
General and administrative expenses				
Office administration and facilities (Note 8)		**48,000**		48,000
Accounting and legal services		**14,873**		14,169
Transfer agent, listing and filing fees		**14,845**		15,286
Office supplies and services		**4,296**		1,326
Shareholder information		**1,322**		1,426
Foreign exchange loss		**371**		352
Interest income		**(29,561)**		(15,853)
Total general and administrative expenses		**54,146**		64,706
Loss and comprehensive loss for the year	**$**	**(84,646)**	$	(76,170)
Basic and diluted loss per common share (Note 7)	**$**	**(0.00)**	$	(0.00)

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

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash flows from operating activities		
Loss for the year	**$ (84,646)**	$ (76,170)
Non-operating item:		
Interest income	**(29,561)**	(15,853)
Changes in non-cash working capital balances:		
Amounts receivable	**(219)**	430
Accounts payable and accrued liabilities	**3,292**	(216)
Net cash used in operating activities	**(111,134)**	(91,809)
Cash flows from investing activities		
Interest income	**29,561**	15,853
Net cash provided by investing activities	**29,561**	15,853
Cash flows from financing activities		
Proceeds from exercise of warrants	**1,276,425**	6,938
Share issuance costs	**(5,000)**	(25,966)
Net cash (used in) provided by financing activities	**1,271,425**	(19,028)
Change in cash for the year	**1,189,852**	(94,984)
Cash, beginning of year	**1,451,233**	1,546,217
Cash, end of year	**$ 2,641,085**	$ 1,451,233

Non-cash financing activities for the year ended June 30, 2019 included a $122,763 (2018 - $4,335) reclassification of the fair value of warrants exercised in the period.

There were no other non-cash investing or financing activities during the years ended June 30, 2019 and 2018.

1. NATURE OF OPERATIONS

Rhyolite Resources Ltd. (the "Company") was incorporated under the *Business Corporations Act* (Alberta) on April 6, 2006. Its principal business activities include the acquisition and exploration of mineral properties. The Company's registered office address is Suite 1900, 520 – 3rd Avenue SW, Calgary, AB, and its principal place of business is Suite 1703, 595 Burrard Street, Vancouver, BC.

These consolidated financial statements were authorized by the Board of Directors on October 2, 2019.

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

b) Basis of Measurement

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

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

c) Continuance of operations

These consolidated financial statements have been prepared in accordance with IFRS on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As such, these consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. While management believes that the Company has sufficient working capital to meet its projected financial obligations in the short-term, which includes the next fiscal year, its ability to operate as a going concern in the longer-term requires it enter into profitable operations or to raise additional financing.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the financial statements of the parent company, Rhyolite Resources Ltd., and its subsidiaries listed below:

			Equity Interest	
	Jurisdiction	Nature of Operations	Year Ended June 30, 2019	Year Ended June 30, 2018
Paxson Resources (USA) Inc.	Alaska, USA	Exploration	100%	100%
Paxson Resources Ltd.	Alberta, Canada	Holding company	100%	100%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

a) Basis of consolidation (cont'd…)

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

b) Financial instruments

IFRS 9 became effective for the annual periods beginning on or after January 1, 2018, and replaces IAS 39, Financial Instruments: Recognition and measurement. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

A comparison between the classification of the Company's financial assets and financial liabilities under IFRS 9 and IAS 39 is as follows:

Financial Instrument	Classification Under IAS 39	Classification Under IFRS 9
Cash	Fair value through profit or loss	Fair value through profit or loss
Amounts receivable	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities – amortized cost	Amortized cost

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash is measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Amounts receivable are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

b) Financial instruments (cont'd…)

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its amounts receivable.

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable and accrued liabilities which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

c) Mineral properties and exploration and evaluation and expenses

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include staking costs as well as the value of cash or share consideration paid for mineral properties. Exploration and evaluation expenses which may include annual claim maintenance fees as well as costs for drilling and technical and metallurgical evaluation are recorded as an exploration and evaluation expense as incurred.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Impairment of mineral properties

The carrying amounts of mineral properties are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense when identified. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the property to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or property. 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 which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or property in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mineral properties, fair value less cost to sell is often estimated using a discounted cash flow approach as fair values from active markets or binding sale agreements are not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Mineral properties and exploration and evaluation and expenses (cont'd…)

Impairments on mineral properties may be reversed in subsequent periods. When a reversal of impairment is recorded, the carrying value of the asset is increased to its recoverable amount which cannot exceed the carrying amount of the asset that would have existed had no impairment been recognized in prior periods. Any reversal of impairment is recognized as a component of profit or loss when identified.

d) Income taxes

Income tax expense comprises current and deferred tax and is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is based on the results of operations for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred tax is recognized using the liability method, providing for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The effect of a change in enacted or substantively enacted income tax rates on deferred income tax assets and liabilities is recognized in profit or loss in the period that the change occurs unless the original entry was recorded to equity.

e) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. 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, net of any tax effects.

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 issue date. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as equity reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

f) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of net loss in the period in which they occur.

g) (Loss) earnings per share

Basic (loss) earnings per share is computed by dividing the net loss or income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

h) Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the related amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

i) Reclamation provision

The Company recognizes a provision for environmental reclamation of its mineral properties in the period in which the Company becomes legally or constructively liable for future reclamation expenditures. The reclamation provision is initially measured as the present value of future expected reclamation cash flows, discounted using the risk-free interest rate prevailing at the time the liability is incurred, and a corresponding amount is recorded in the carrying value of the related mineral property.

Subsequent to initial measurement, the provision is re-measured using the risk-free interest rate prevailing on each reporting date. Changes to the carrying value of the provision for changes to the discount rate, or for changes to the timing and amount of expected future reclamation cash flows are recorded as an adjustment to the carrying value of

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

i) Reclamation provision (cont'd…)

the related mineral property. Changes to the carrying value of the provision from the accretion of its discounted value are recorded as a financing expense.

As at June 30, 2019 and 2018, the Company has no known environmental reclamation commitments.

j) Judgments, estimates and measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements. Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

i. Carrying value of mineral properties

The carrying value of mineral properties, including any impairments required, is based on various judgments and estimates such as the potential technical and commercial feasibility of these properties, as well as management's expectation for the likely outcome of a property, which itself is dependent on factors such as availability of financing, obtaining regulatory approvals to explore or develop the properties, and participation in the property by an operating management team.

Should evidence arise to indicate that there are no economically-viable reserves on the mineral property or should the Company no longer have the intention, resources, requisite approvals to maintain, explore, develop or otherwise realize value from a mineral property, impairments may be recognized. If impairment factors which result in an impairment being recorded become favourable, a reversal on impairment may occur.

ii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii. Fair valuation of stock options

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires assumptions regarding the expected future price volatility of the Company's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Company's common shares. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

iv. Income taxes

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

k) Accounting standards and interpretations issued but not yet effective

The following accounting standard has been issued by the IASB, but has not been applied in the preparation of these consolidated financial statements:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The future application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

4. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSES

Paxson Gold Property, Alaska, U.S.

The Company holds mineral claims acquired through an internal staking program, in the Paxson Gold Property located in the eastern Alaska Range, southwest of Tok, Alaska. As of June 30, 2019, the Company has incurred cumulative staking costs of $44,615 (June 30, 2018 - $44,615) in acquiring these claims.

Exploration expenses on the Company's mineral properties are as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Exploration and evaluation expenses:		
Travel, accommodation and meals	**$ 13,384**	$ -
Management fees	**7,365**	734
Permit and filing fees	**7,030**	9,612
Field expenses	**2,721**	1,118
	$ 30,500	$ 11,464

Title to mineral properties may be based on uncertain conveyance histories and therefore involves a certain inherent risk that title to the Company's mineral properties may be contested. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing. Further, the Company has not been notified of any challenge to the validity of its claims.

(Expressed in Canadian Dollars)

5. AMOUNTS RECEIVABLE

Amounts receivable arise from amounts owed by the Canada Revenue Agency for refundable sales taxes paid by the Company.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities relate to amounts owing for management, consulting and other professional services. All payables and accrued liabilities for the Company fall due within the next 12 months.

7. SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited common shares, without par value.
Unlimited preferred shares issuable in series, without par value.

No preferred shares were issued and outstanding during the years ended June 30, 2019 or 2018, and changes to the number of common shares outstanding are as follows:

	Number of Shares		**Assigned Value**
Outstanding, June 30, 2017	43,491,450	$	4,865,497
Shares issued on exercise of warrants	46,250		11,273
Share issuance costs	-		(25,966)
Outstanding, June 30, 2018	43,537,700		4,850,804
Shares issued on exercise of warrants	8,509,500		1,399,188
Share issuance costs	-		(5,000)
Outstanding, June 30, 2019	**52,047,200**	**$**	**6,244,992**

On October 31, 2017 and November 29, 2017, the Company issued a total 46,250 common shares on the exercise of warrants that had been issued in connection with an earlier private placement. The combined proceeds from these issuances was $6,938 and an additional $4,335 was reclassified from equity reserves to share capital for the original fair value attributed to the exercised warrants. The Company also recognized a $25,966 charge to share capital in the year ended June 30, 2018 for services provided in connection with the private placement.

Between February 26, 2019 and March 27, 2019, a total of 8,509,500 common shares were issued on the exercise of warrants for total cash proceeds of $1,276,425. An additional $122,763 was reclassified from equity reserves to share capital for the original fair value attributed to the exercised warrants. The Company incurred $5,000 in management fees for services provided by a related party in connection with the exercise of these warrants which was charged to share capital in the year ended June 30, 2019.

(Expressed in Canadian Dollars)

7. SHAREHOLDERS' EQUITY (cont'd…)

Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

There were no changes to the number of stock options outstanding during the years ended June 30, 2019 or 2018 and the following incentive stock options were outstanding and exercisable at June 30, 2019:

Expiry Date	**Exercise Price**	**Number of Options Outstanding**	**Number of Options Exercisable**
May 16, 2021	$ 0.15	450,000	450,000

Warrants

The Company may grant warrants on a stand-alone basis, to agents or brokers as compensation for facilitating certain financings. Alternatively, warrants may be included with the Company's shares as a component of share units issued for financing.

Warrant transactions for the years ended June 30, 2019 and 2018 are summarized as follows:

	Number of Warrants	**Weighted Average Exercise Price**	**Weighted Average Fair Value per Warrant**
Outstanding, June 30, 2017	9,360,000	$ 0.15	$ 0.01
Warrants exercised	(46,250)	0.15	0.09
Outstanding, June 30, 2018	9,313,750	0.15	0.01
Warrants exercised	(8,509,500)	0.15	0.01
Warrants expired	(804,250)	0.15	-
Outstanding, June 30, 2019	**-**	**$ -**	**$ -**

Per share amounts

Weighted average per share amounts for the years ended June 30, 2019 and 2018 are calculated as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Numerator		
Loss	**$ (84,646)**	$ (76,170)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	**43,755,975**	43,520,128
Loss per common share, basic and diluted	**$ (0.00)**	$ (0.00)

Diluted weighted average number of common shares outstanding for the years ended June 30, 2019 and 2018 exclude the impact of stock options and warrants outstanding as their inclusion is anti-dilutive in periods when a loss is incurred.

8. RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company that provides key management services to the Company. The Company pays Earlston a fee of $4,000 per month and out-of-pocket costs for standard management and office services. Earlston also provides occasional consulting, project management or other support services which are billed separately from the standard rate. For the year ended June 30, 2019, the expense for office administration and facilities includes $48,000 (2018 - $48,000) for services provided by Earlston. Additionally, in the year ended June 30, 2019, the Company paid Earlston $5,000 for services rendered in connection with the exercise of warrants, which has been included in share issuance costs.

Accounts payable and accrued liabilities as at June 30, 2019 includes $4,306 (June 30, 2018 - $4,320) for amounts owing to Earlston.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2019, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at June 30, 2019, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

Risks to the Company's financial instruments and their potential impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding or net income from operating activities will be required to meet long-term requirements. As at June 30, 2019, the Company had a cash balance of $2,641,085 to settle current liabilities of $19,780. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. Altough the Company has exploration and evaluation activities in the United States and costs related to this activity are typically incurred in US dollars, the Company does not anticipate a large exploration program at this time and, as a result, is not exposed to significant foreign currency risk.

iii. Price risk

The Company holds no marketable securities or non-cash assets that are classified as financial instruments and, consequently, has no exposure to the price fluctuations of such instruments.

10. CAPITAL MANAGEMENT

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

The properties in which the Company currently has an interest are in the exploration stage and, as a result, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Loss and comprehensive loss for the year	**$ (84,646)**	$ (76,170)
Expected income tax recovery	**$ (23,000)**	$ (21,000)
Changes in statutory, foreign tax or foreign exchange rates	**6,000**	171,000
Share issuance costs	**(1,000)**	(7,000)
Change in unrecognized deductible temporary differences	**18,000**	(143,000)
Total income tax recovery	**$ -**	$ -

The significant components of the Company's unrecorded deferred tax assets and liabilities are as follows:

	June 30, 2019	June 30, 2018
Deferred tax assets (liabilities)		
Allowable capital losses	**$ 62,000**	$ 62,000
Non-capital losses available for future periods	**1,043,000**	1,016,000
Share issuance costs	**26,000**	37,000
Exploration and evaluation assets - mineral properties	**12,000**	10,000
Unrecognized deferred net tax assets	**$ 1,143,000**	$ 1,125,000

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	June 30, 2019	**Expiry date range**	June 30, 2018	Expiry date range
Temporary Differences				
Allowable capital losses	**$ 229,000**	**Not applicable**	$ 229,000	Not applicable
Non-capital losses available for future periods	**$ 3,786,000**	**2027 - 2039**	$ 3,692,000	2027 - 2038
Share issuance costs	**$ 96,000**	**2039 - 2043**	$ 136,000	2038 - 2042
Exploration and evaluation assets - mineral properties	**$ 42,000**	**Not applicable**	$ 36,000	Not applicable

Tax balances reported are subject to review and potential adjustment by tax authorities.