CONFEDERATION
MINERALS LTD.

Consolidated Financial Statements

Year Ended June 30, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Confederation Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Confederation Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficiency as at June 30, 2019 of $229,188 and an accumulated deficit of $26,213,763. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. 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 David Harris.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

October 18, 2019

CONFEDERATION MINERALS LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2019	June 30, 2018
		$	$
ASSETS			
Current assets			
Cash		435,294	591,455
Receivables	5	6,333	52,874
Prepaid expenses		3,900	3,819
Total current assets		445,527	648,148
Non-current assets			
Exploration and evaluation assets	6 & 7	1,115,699	1
Total assets		1,561,226	648,149
LIABILITIES			
Current liabilities			
Payables and accruals	8	590,040	288,842
Loans payable	9	84,675	5,000
Total liabilities		674,715	293,842
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders			
Share capital	12	24,144,725	23,109,725
Reserves		2,955,549	2,955,549
Accumulated deficit		(26,213,763)	(25,710,967)
Total equity		886,511	354,307
Total liabilities and equity		1,561,226	648,149

Nature and Continuance of Operations (note 1)
Commitments (note 15)

These consolidated financial statements are authorized for issue by the Board of Directors on October 18, 2019. They are signed on the Company’s behalf by:

On behalf of the Board:

“Denise Lok”	Director	*“David Velisek”*	Director
Denise Lok		David Velisek	

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

CONFEDERATION MINERALS LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the Year Ended June 30,	Notes	2019	2018
		$	$
Expenses			
Bank charges and interest	10	145	1,873
Consulting and management fees	13	351,000	353,000
Exploration and evaluation expenditures	7	22,080	18,647
Filing fees		16,024	19,865
Insurance		11,143	27,060
Meals and entertainment		15,651	11,405
Office expenses		25,632	24,017
Professional fees		53,900	48,563
Project investigation		468	103,411
Share-based payments	12	-	394,934
Shareholder information		3,139	6,665
Transfer agent fees		5,809	6,374
Travel and accommodation		3,877	26,453
		(508,868)	(1,042,267)
Interest and miscellaneous income		6,072	1,595
Write-down of exploration and evaluation asset	7	-	(157,201)
Loss on settlement of debt	12	-	(2,985)
Loss for the year		(502,796)	(1,200,858)
Total comprehensive loss for the year		(502,796)	(1,200,858)

Loss per share (note 14)

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

CONFEDERATION MINERALS LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the Year Ended June 30,	**2019**	**2018**
	$	$
Cash provided by (used in):		
Operating activities		
Loss for the year	(502,796)	(1,200,858)
Items not involving cash:		
Interest income	(6,072)	(1,595)
Accretion expense on convertible debenture	-	1,375
Loss on settlement of debt	-	2,985
Share-based payments	-	394,934
Write-down of exploration and evaluation assets	-	157,201
Changes in non-cash working capital:		
Receivables	46,541	(22,818)
Prepaid expenses	(81)	(359)
Payables and accruals	301,198	140,191
	(161,210)	(528,944)
Investing activities:		
Acquisition of 1106877 B.C. Ltd.	5,678	-
Transaction costs	(6,701)	-
Exploration and evaluation assets	-	(31,376)
Interest received	6,072	1,595
	5,049	(29,781)
Financing activities:		
Proceeds from shares issued	-	921,200
Share issuance costs	-	(37,153)
Repayment of convertible debenture	-	(50,000)
	-	834,047
Net change in cash	(156,161)	275,322
Cash, beginning of year	591,455	316,133
Cash, end of year	435,294	591,455

Supplemental disclosure with respect to cash flows (note 17)

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

CONFEDERATION MINERALS LTD.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total Equity (Deficiency)
		$	$	$	
Balance - June 30, 2017	10,365,526	21,912,449	2,545,034	(24,510,109)	(52,626)
Share issuance for mineral property	216,655	125,825	-	-	125,825
Warrant exercise	200,000	112,000	-	-	112,000
Private placement	2,247,777	809,200		-	809,200
Share issue costs	-	(52,734)	15,581	-	(37,153)
Share-based payments	-	-	394,934	-	394,934
Shares for debt	597,014	202,985	-	-	202,985
Loss for the year				(1,200,858)	(1,200,858)
Balance - June 30, 2018	13,626,972	23,109,725	2,955,549	(25,710,967)	354,307
Share issuance for the acquisition of 1106877 B.C. Ltd.	4,500,000	1,035,000	-	-	1,035,000
Loss for the year	-	-	-	(502,796)	(502,796)
Balance - June 30, 2019	18,126,972	24,144,725	2,955,549	(26,213,763)	886,511

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) and trades on the TSX Venture Exchange ("TSX-V") under the symbol CFM. The Company's principal business activity is the exploration of exploration and evaluation assets.

The amounts shown as exploration and evaluation assets represent net acquisition costs to date, less any amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop these assets.

The Company has a working capital deficiency as at June 30, 2019 of $229,188 and an accumulated deficit of $26,213,763. These consolidated financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses from inception and does not currently have the financial resources to maintain its operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds from there and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern.

The financial information is presented in Canadian Dollars (CDN$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 2250, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the year ended June 30, 2019.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

2. BASIS OF PRESENTATION (continued)

Basis of measurement (continued)

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basic of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and 1106877 B.C. Ltd., the Company's wholly owned subsidiary. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Cash

Cash includes cash on hand, and demand deposits with financial institutions.

c) Mineral Exploration and Evaluation Expenditures

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a mineral property has been acquired, all costs related to the acquisition of mineral properties are capitalized by property. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase.

Mineral property acquisition costs for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploration of the mineral property or alternatively, by sale; or
- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however; active and significant operations in relation to the mineral property are continuing, or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral Exploration and Evaluation Expenditures (continued)

unrecoverable costs associated with the property are charged to profit or loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is first tested for impairment and is then considered to be a mine under development and is classified as “mining assets”, within property, plant, and equipment. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

d) Foreign Currencies Translation and Transaction

The functional currency of the Company is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss.

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

f) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records, if any, the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions (continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

g) Income Taxes

Income tax expense comprises current and deferred tax expense. Current tax and deferred tax expense are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

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

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

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

h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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. The Company’s common shares, share warrants and flow-through shares are classified as equity instruments.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of equity financing transaction, the warrants are exercisable into additional common shares at a price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share Capital (continued)

prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes the premium as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Earnings / Loss Per Share

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

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. For the years presented, this calculation proved to be anti-dilutive.

j) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted that relate to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

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

k) Recent accounting pronouncements and future changes in accounting standards

The Company did not adopt any new accounting standard changes or amendments in 2018 that had a material impact on the Company's consolidated financial statements. The following accounting standard was adopted by the Company for the year ended June 30, 2019:

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The Company adopted IFRS 9 using the modified retrospective approach where the cumulative impact of adoption will be recognized in deficit as of July 1, 2018 and comparatives will not be restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

<u>Amortized cost</u>

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

<u>Fair value through other comprehensive income ("FVTOCI")</u>

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at fair value through profit or loss ("FVTPL") to present subsequent changes in FVTOCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Recent accounting pronouncements and future changes in accounting standards (continued)

Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets		
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Financial Liabilities		
Payables and accruals	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities.

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had no impact on the carrying amounts of financial assets at amortized cost.

Consistent with IAS 39, the financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Financial liabilities are derecognized when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. The Company will continue to evaluate the impact these standards will have on the consolidated financial statements when they are finalized. Currently the effect is expected to be immaterial. These standards include:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Recent accounting pronouncements and future changes in accounting standards (continued)

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidation financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

Acquisition of Assets

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with 1106877 B.C. Ltd. was determined to constitute an acquisition of assets (note 6).

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 12.

5. RECEIVABLES

At June 30, 2019 and June 30, 2018, the Company's receivables consist of GST – value added tax.

(Expressed in Canadian Dollars)

6. ACQUISITION

Red Lake Gold Mining District, Ontario

On June 28, 2019, the Company completed the acquisition of 1106877 B.C. Ltd. (the "Privco") which holds certain exploration properties (note 7). The Company acquired 100% of the issued and outstanding common of the Privco by issuing 4,500,000 common shares to the shareholders of the Privco.

The Company's acquisition of the Privco is being accounted for as an acquisition of net assets as the transaction did not qualify as a business combination under IFRS 3 Business Combinations. The allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration		
	Value of 4,500,000 common shares issued	$ 1,035,000
	Transaction costs	6,701
		$ 1,041,701

Net assets acquired		
	Cash	$ 5,678
	Exploration and evaluation assets	1,115,698
	Loans payable	(79,675)
		$ 1,041,701

7. EXPLORATION AND EVALUATION ASSETS

Newman Todd Project

The Company holds a 70% interest in the Newman Todd Project.

The Project is subject to a two percent net smelter return ("NSR") and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest.

The Company also owns an effective 35% interest in certain other claims adjacent to the Newman Todd Project.

The Company previously impaired the mineral property value to $1.

The schedule below outlines the costs incurred in the Newman Todd Project as at June 30, 2019:

	As at June 30, 2017	Additions/ (Writedowns)	As at June 30, 2018	Additions/ (Writedowns)	As at June 30, 2019
	$	$	$	$	$
Acquisition					
Cash payments	1	-	1	-	1
Share issuance	-	-	-	-	-
	1	-	1	-	1

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Cumulative to June 30, 2017	Expenditures during the year	Cumulative to June 30, 2018	Expenditures during the year	Cumulative to June 30, 2019
Exploration and evaluation expenditures					
Advance payment	-	-	-	-	-
Assays and reports	1,363,866	-	1,363,866	-	1,363,866
Camp construction	115,276	-	115,276	-	115,276
Drilling	4,860,038	-	4,860,038	-	4,860,038
Environmental	291,336	-	291,336	-	291,336
Equipment installation	101,950	-	101,950	-	101,950
Field expenses	1,206,969	-	1,206,969	-	1,206,969
General administration	78,634	6,189	84,823	8,072	92,895
Metallurgy studies	133,482	-	133,482	-	133,482
Geological consulting	2,981,619	12,458	2,994,077	14,008	3,008,085
Permitting	4,340	-	4,340	-	4,340
Reclamation	10,000	-	10,000	-	10,000
Resource estimation	33,100	-	33,100	-	33,100
Surveys and geophysics	15,068	-	15,068	-	15,068
Travel and accommodation	480,250	-	480,250	-	480,250
Total exploration and evaluation expenditures	11,675,928	18,647	11,694,575	22,080	11,716,655

Other Projects

Red Lake Gold Mining District, Ontario

On June 28, 2019, the Company acquired a private company whereby Confederation acquired certain exploration properties in the Red Lake Gold Mining District, Ontario (note 6). The Company controls two contiguous properties located in the Red Mining Lake District of Ontario.

The first property is held under an option agreement whereby the Company can acquire 100%, subject to a 1.5% NSR Royalty, by making cash payments based on the following schedule totaling $100,000. The Company can purchase 1/2 of the NSR for $400,000.

Amount (CAD)	Due Date
$13,000	Within 7 days after the effective date (November 21, 2018) (paid)
$12,000	On or before October 31, 2019
$15,000	On or before October 31, 2020
$25,000	On or before October 31, 2021
$35,000	On or before October 31, 2022

The second property is 100% held by the private company, and not subject to any cash payments or royalties.

These two properties are collectively called the “Leo Property”.

The schedule below outlines the costs incurred in the Leo Property as at June 30, 2019:

	As at June 30, 2017	Additions/ (Writedowns)	As at June 30, 2018	Additions/ (Writedowns)	As at June 30 2019
	$	$	$	$	$
Acquisition					
Acquisition costs (note 6)	-	-	-	1,115,698	1,115,698
	-	-	-	1,115,698	1,115,698

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Confederation Lake (Mitchell & Belanger) claims

The Company also holds the Confederation Lake (Mitchell & Belanger) claims located in the Red Lake Gold Mining District with a carrying value of $Nil.

Tourmaline Queen and Golden Galena

On June 21, 2017, the Company signed a letter of intent ("LOI") to acquire 100% of the Tourmaline Queen and Golden Galena Projects in Montana. The LOI called for escalating annual payments totaling 320 oz of gold (cash equivalent to be determined based on Au price at time of payments, but would total US$ 400,000 at an average Au price of $1250/oz) over a five-year period in order to acquire a 100% interest in the claims within both of the two Project areas, subject to a retained NSR. The Company terminated the LOI on September 15, 2017. All costs incurred during the year ended June 30, 2018 have been expensed as project investigation.

Bull and PCM Projects

The Company signed letters of intent ("LOI's") to earn up to 100% interest to two exploration projects located near the Arizona-California-Nevada border in Mojave Co., Arizona. Upon approval by the TSX-V, the Company issued a total of 200,000 common shares (valued at $115,000), 16,655 finder's shares (valued at $10,825) and made cash payments of $31,376 for the initial signing of the LOI's.

On September 15, 2017, the Company terminated the option, cumulative acquisition costs of $157,201 incurred during the year ended June 30, 2018 have been recorded as write-down of exploration and evaluation assets.

8. PAYABLES AND ACCRUALS

	Note	June 30, 2019	June 30, 2018
		$	$
Trade payables and accruals		445,390	272,801
Due to related parties	13	144,650	16,041
		590,040	288,842

9. LOANS PAYABLE

As of June 30, 2019, the Company has loans of $84,675 (2018 - $5,000) which are unsecured, bear no interest, and are payable upon demand.

10. CONVERTIBLE DEBENTURE

On April 14, 2016, the Company completed a non-brokered private placement of $50,000 aggregate principal amount of unsecured convertible debentures. The debentures bare nil interest. The debt matured on October 15, 2017 and was convertible, at the election of the holder, into units of the Company at the market price at the date of conversion subject to a $0.10 minimum. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder thereof to acquire an additional common share at a price set at a 50% premium to the conversion price, which is based on the higher of: $0.10 or market price at the date of conversion, until April 15, 2019.

For accounting purposes, the convertible debenture was considered a liability since the conversion feature was not a "fixed for fixed" conversion, it was considered an embedded derivative.

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURE (continued)

However, the value of the embedded derivative liability had no value as the conversion price was set at the market price on the date of conversion. The fair value of the liability component was calculated as $43,339 being the present value of the convertible note's price discounted at the Company's estimated incremental borrowing rate of 10% for the period from April 14, 2016 to the expected remaining life of the note. The difference of $6,661 was recorded as a discount on convertible debenture.

The carrying value of the liability portion was accreted to its redemption principle value of $50,000 over a period from the date of issuance to the estimated maturity and conversion date.

Interest accretion is included in bank charges and interest in the statements of operations and comprehensive loss in the amount of $1,375 for the year ended June 30, 2018.

During the fiscal year 2018, the Company repaid the principal amount of $50,000 to the debenture holder.

11. INCOME TAXES

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

		2019		**2018**
Loss for the year	$	(502,796)	$	(1,200,858)
Expected income tax (recovery)	$	(136,000)	$	(318,000)
Change in statutory, foreign tax, foreign exchange rates and other		4,000		(158,000)
Permanent differences		4,000		105,000
Share issue cost		-		(10,000)
Adjustment to prior years provision versus statutory tax returns anc		(2,000)		-
Change in unrecognized deductible temporary differences		130,000		381,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2019	**Expiry Date Ran(**		**2018**	**Expiry Date Range**
Temporary Differences						
Exploration and evaluation assets	$	11,077,000	No expiry date	$	10,928,000	No expiry date
Investment tax credit		362,000	2033 to 2039		362,000	2033 to 2034
Property and equipment		79,000	No expiry date		79,000	No expiry date
Share issue costs		22,000	2023		30,000	2023
Allowable capital losses		460,000	No expiry date		460,000	No expiry date
Non-capital losses available for future periods		9,841,000	2026 to 2039		9,500,000	2026 to 2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. SHARE CAPITAL

a) Authorized

Unlimited common shares with no par value

b) Issued Share Capital

At June 30, 2019, there were 18,126,972 common shares issued and outstanding (June 30, 2018 – 13,626,972)

c) Common Shares

Fiscal 2019

The Company issued 4,500,000 shares at a value of $1,035,000 in connection to the acquisition of Privco (note 6).

Fiscal 2018

The Company issued 216,655 shares at a value of $125,825 in connection to the execution of the Bull and PCM LOI (note 7).

The Company issued 200,000 common shares through warrants being exercised at $0.56 each for a total consideration of $112,000.

On March 28, 2018, the Company closed a non-brokered private placement. The financing raised gross proceeds of $809,200 by the issuance of 2,247,777 units at a price of $0.36 per Unit. Each Unit consisted of one common share and one share purchase warrant, and each Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of $0.55 per share for a period of 24 months from the closing date. The Company paid cash finder's fees of $37,153 and issued 83,844 finder's warrants (the "Finder's Warrants"). Apart from being non-transferable, the Finder's Warrants are subject to the same terms as the Warrants. The fair value of the finders' warrants is $15,581 using the Black-Scholes option pricing model with an expected volatility of 102.49%, expected term of 2 years, a risk-free interest rate of 1.80% and a dividend yield of 0%.

On June 19, 2018, the Company issued 597,014 common shares to settle outstanding debts of $200,000. The shares were issued to two creditors (note 13). The fair value of the shares when issued was $202,985 resulting in the Company recognizing a $2,985 loss at the time of issuance.

d) Share-based Payments

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the TSX-V policies. The options can be granted for a maximum term of 5 years.

During year ended June 30, 2018, the Company granted 1,050,000 stock options with a value of $394,934 or $0.38 per option. There were no options granted during fiscal 2019.

The continuity of stock options for the year ended June 30, 2019 is as follows:

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

d) Share-based Payments (continued)

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance June 30, 2017	-	-
Granted	1,050,000	0.40
Balance June 30, 2018 and 2019	1,050,000	0.40

The options outstanding and exercisable at June 30, 2019 are as follows:

Number	Exercise Price	Remaining Contractual
1,050,000	0.40	3.75

The fair value of share options awarded to officers, directors and consultant was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

Options	Year Ended June 30, 2019	Year Ended June 30, 2018
Dividend yield	-	0%
Risk-free interest rate	-	1.94%
Estimated volatility	-	166.51%
Expected life in years	-	5

e) Warrants

The continuity of the warrants during the year ended June 30, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance June 30, 2017	2,542,327	0.56
Exercised	(200,000)	0.56
Granted	2,331,621	0.55
Balance June 30, 2018	4,673,948	0.56
Expired	(2,342,327)	0.56
Balance June 30, 2019	2,331,621	0.55

The outstanding warrants at June 30, 2019 are as follows:

Expiry Date	Price per Share	Warrants Outstanding
March 28, 2020	$ 0.55	2,331,621

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The aggregate value of transactions recorded as consulting fees relating to key management personnel and entities which they have control or significant influence were as follows:

Services provided by:	Notes	Year Ended June 30, 2019	2018
		$	$
Baron Global Financial Canada Ltd.	(a)	120,000	120,000
Carl Hering	(b)	-	20,000
David Velisek	(c)	3,000	-
Mike Collins	(d)	-	11,860

(a) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.
(b) Carl Hering, the former CEO, President of the Company received consulting fees.
(c) David Velisek, the Director of the Company provided business development consulting fees.
(d) Mike Collins, the former VP Exploration and Development of the Company provided consulting services.

The following table outlines the Company's related party payables:

	June 30, 2019	June 30, 2018
	$	$
Baron Global Financial Canada Ltd.	141,500	15,536
David Velisek	3,150	505
	144,650	16,041

On June 19, 2018, the Company settled debt owing to Baron Global Financial Canada in the amount of $100,000 by issuing 101,492 shares at a value of $101,493. The Company recognized a $1,493 loss at the time of issuance.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended June 30, 2019 and 2018 was as follows:

For the Year Ended June 30,	2019	2018
Loss for the year:	($502,796)	($1,200,858)
Weighted average number of common shares outstanding	13,651,630	10,108,691
Basic and diluted loss per share	($0.04)	($0.12)

(Expressed in Canadian Dollars)

15. COMMITMENTS

In April 2016 the Company entered into agreements with two arms-length parties to provide business consulting services. Each of the two consultants will be paid a monthly fee of $7,000 for an indefinite term. If any of the consulting agreements are terminated without cause, the parties will each receive $168,000.

16. SEGMENT INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets within Canada.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplementary disclosure of non-cash investing and financing activities during the year ended June 30, 2019 and 2018 were as follow:

For the Year Ended June 30,	2019	2018
	$	$
Shares issued for debt settlement	-	202,985
Finders fee warrants	-	15,581
Shares issued for mineral property	-	125,825
Shares issued for the acquisition of 1106877 B.C. Ltd. (note 6)	1,035,000	-
Assumption of loans payable (note 6)	79,675	-

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest Rate Risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At June 30, 2019, the Company was not subject to significant interest rate risk.

Foreign Exchange Rate Risk

The Company is not subject to significant foreign exchange risk as all of the Company's operations are located in Canada.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to cash held on deposit and receivables.

The Company manages its credit risk by investing only in high quality financial institutions. Receivables are due from a government agency.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and match the maturity profile of financial assets to development, capital and operating needs. The Company is exposed to liquidity risk.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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

Cash is measured at fair value using level 1. The carrying value of receivables, payables and accruals, and loans payable approximates their fair value due to the current nature of those financial instruments.

19. CAPITAL MANAGEMENT

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

The Company has historically relied on the equity markets to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 is not subject to any externally imposed capital restrictions.