KERR MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Kerr Mines Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kerr Mines Inc., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of operations, comprehensive loss and deficit, changes in equity (deficiency) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kerr mines Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Kerr Mine Inc.'s ability to continue as a going concern.

Kreston GTA LLP

Licensed Public Accountants

September 28, 2018

Markham, Canada

Kerr Mines Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		As at June 30, 2018		As at June 30, 2017
ASSETS				
Current assets				
Cash	**$**	**1,035,247**	$	5,065,452
Marketable securities		**2,519**		2,519
Assets held for sale (note 3)		**27,747**		-
Accounts receivable (note 6)		**216,588**		172,179
Prepaid expenses and other assets		**319,044**		699,054
Total current assets		**1,601,145**		5,939,204
Non-current assets				
Restricted investments (note 5)		**1,531,890**		1,567,133
Property, plant and equipment (note 7)		**9,994,569**		10,886,188
Mining properties (note 8)		**7,270,465**		7,270,465
Total assets	**$**	**20,398,069**	$	25,662,990
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 9)	**$**	**855,095**	$	2,933,760
Other payable (note 23)		**-**		239,262
Loans and borrowings (note 22)		**-**		221,371
Liabilities directly associated with assets held for sale (note 3)		**476,778**		-
Total current liabilities		**1,331,873**		3,394,339
Non-current liabilities				
Promissory notes payables (note 10)		**2,136,863**		2,000,000
Convertible promissory notes payables (note 11)		**4,194,119**		3,777,362
Derivative financial liabilities (note 11)		**208,739**		279,014
Loan payable (note 12)		**3,856,783**		3,609,763
Decommissioning liabilities (note 13)		**2,174,079**		2,691,269
Total liabilities		**13,902,456**		15,751,801
Equity				
Share capital (note 14)		**139,366,531**		132,264,928
Contributed surplus		**10,531,788**		10,531,788
Warrant reserve (note 16)		**2,699,910**		2,379,100
Share-based payments reserve (note 15)		**1,696,578**		178,496
Accumulated other comprehensive income		**498,689**		1,286,626
Deficit		**(148,297,883)**		(136,729,749)
Total equity		**6,495,613**		9,911,189
Total liabilities and equity	**$**	**20,398,069**	$	25,662,990

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 21)
Subsequent event (note 27)

Approved on behalf of the Board:

(Signed) "Fahad Al Tamimi" Director

(Signed) "Claudio Ciavarella" Director

Kerr Mines Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating expenses		
Exploration and evaluation expenditures (note 17)	**$ 8,228,728**	$ 4,444,518
General and administrative	**256,018**	352,307
Depreciation (note 7)	**309,788**	194,072
Salaries and benefits	**115,434**	93,773
Consulting fees	**774,103**	212,636
Professional fees	**192,769**	291,100
Promotion and travel	**105,393**	60,198
Shareholder relations	**111,440**	199,297
	(10,093,673)	(5,847,901)
Loss on disposal of other assets	**(732,521)**	-
Unrealized loss on marketable securities	**-**	(192)
Finance charges	**(726,122)**	(176,343)
Gain on settlement of debts (note 18)	**1,287,234**	5,820,839
Gain (loss) on revaluation of derivative liability	**70,275**	(20,709)
Interest and other revenue	**5,498**	70,189
Gain (loss) on foreign exchange	**139,257**	(3,524)
Share-based payments (note 15)	**(1,518,082)**	(178,496)
Realized loss on sale of marketable securities	**-**	(1,000,000)
Net loss	**$(11,568,134)**	$ (1,336,137)
Other comprehensive income (loss)		
Foreign currency translation	**$ (787,937)**	$ (388,945)
Total comprehensive loss	**$(12,356,071)**	$ (1,725,082)
Basic and diluted net loss per share (note 19)	**$ (0.05)**	$ (0.01)
Weighted average number of common shares outstanding	**246,223,138**	177,921,368

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

Kerr Mines Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating activities		
Net loss	**$(11,568,134)**	$ (1,336,137)
Adjustments for:		
Depreciation	**309,788**	194,072
Share-based payments	**1,518,082**	178,496
Accretion expenses	**308,650**	80,396
Accrued interest	**469,985**	-
Unrealized loss on marketable securities	**-**	192
Realized loss on sale of marketable securities	**-**	1,000,000
Gain on settlement of debts	**(1,287,234)**	(5,820,839)
Gain on revaluation of derivative liability	**(70,275)**	-
Loss on disposal of other assets	**732,521**	-
Changes in non-cash working capital items:		
Amounts receivable	**(44,409)**	823,680
Prepaid expenses and other assets	**362,900**	(195,531)
Accounts payable and accrued liabilities	**(812,802)**	(558,966)
Net cash used in operating activities	**(10,080,928)**	(5,634,37)
Investing activities		
Proceeds from sale of marketable securities	**-**	2,500,000
Increase in restricted cash	-	(8,477)
Net cash provided by investing activities	**-**	2,491,523
Financing activities		
Issue of shares, net of costs	**7,222,413**	6,261,194
Long term loans advanced	**-**	2,000,000
Other payable repaid	**(239,262)**	-
Net cash provided by financing activities	**6,983,151**	8,261,194
Effect of exchange rate changes on cash	**(932,428)**	-
Net change in cash	**(4,030,205)**	4,652,789
Cash, beginning of year	**5,065,452**	412,662
Cash, end of year	**$ 1,035,247**	$ 5,065,451
Supplementary cash flow information:		
Share issued for debt settlement	200,000	3,932,198
Interest paid	-	-
Income tax paid	-	-

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

Kerr Mines Inc.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Reserves					
	Share capital	**Contributed surplus**	**Options**	**Warrants**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance, June 30, 2016	**$ 123,100,636**	**$ 7,018,421**	**$ -**	**$ 3,513,367**	**$ 1,675,571**	**$(135,393,612)**	**$ (85,617)**
Shares issued for debt settlements	3,932,198	-	-	-	-	-	3,932,198
Conversion of promissory note	1,350,000	-	-	-	-	-	1,350,000
Shares issued	6,415,297		-	-		-	6,415,297
Share issuance costs	(154,103)						(154,103)
Warrants issued	(2,379,100)	-	-	2,379,100	-	-	-
Share-based payments	-	-	178,496	-	-	-	178,496
Warrants expired	-	3,513,367	-	(3,513,367)	-	-	-
Foreign currency translation					(388,945)		(388,945)
Net loss	-	-	-	-		(1,336,137)	(1,336,137)
Balance, June 30, 2017	**$ 132,264,928**	**$ 10,531,788**	**$ 178,496**	**$ 2,379,100**	**$ 1,286,626**	**$(136,729,749)**	**$ 9,911,189**
Shares issued	7,696,265	-	-	-	-	-	7,696,265
Share issuance costs	(273,852)						(273,852)
Warrants issued	(320,810)	-	-	320,810	-	-	-
Share-based payments	-	-	1,518,082	-	-	-	1,518,082
Foreign currency translation					(787,937)		(787,937)
Net loss	-	-	-	-	-	(11,568,134)	(11,568,134)
Balance, June 30, 2018	**$ 139,366,531**	**$ 10,531,788**	**$ 1,696,578**	**$ 2,699,910**	**$ 498,689**	**$(148,297,883)**	**$ 6,495,613**

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

1. Nature of operations and going concern

Kerr Mines Inc. (“Kerr” or the “Company”) is incorporated under the laws of the Province of Ontario. The principal business activities are directed towards exploring and developing the Copperstone gold property in La Paz County, Arizona, United States. To date, the Company has not earned significant revenue as all properties are pre-production.

The Company is listed on the Toronto Stock Exchange, trading under the symbol KER. The Company's corporate office and principal place of business is located at 806-390 Bay Street, Toronto, Ontario, M5H 2Y2, Canada.

As at June 30, 2018, the Company had working capital $269,272 (June 30, 2017 – $2,784,073). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of $11,568,134 for year ended June 30, 2018 (year ended June 30, 2017 - loss of $1,336,137) and has an accumulated deficit of $148,297,883 as at June 30, 2018, (June 30, 2017 - $136,729,749), and expects to incur future losses in the development of its business and requires additional financing to continue to be able to operate, retain rights to its properties and carry out exploration and development of its properties, all of which casts significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. While the Company expects to be able to obtain sufficient financing to continue as a going concern, it is not possible to predict whether financing efforts will be successful.

As at June 30, 2018, the Company is in the process of advancing the Copperstone Mine project to production. The continued operations of the Company and the amounts recoverable on the properties are dependent upon the ability of the Company to obtain the financing to continue the Company’s current focus of maximizing Copperstone’s potential by defining and expanding current resources and strengthening the mine’s economics leading to project financing and a production decision.

2. Significant accounting policies

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of September 28, 2018, the date the Board of Directors approved the statements.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements are presented in Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements are prepared by consolidating the financial statements of the Company and its wholly-owned subsidiaries. This includes American Bonanza Gold Corp. and its subsidiary, Bonanza Explorations Inc., and Bear Lake Gold Ltd. and its subsidiary, Maximus Ventures Ltd.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated.

Exploration, evaluation and care and maintenance expenditures

All exploration and evaluation costs (including the cost of acquiring exploration rights), net of incidental revenue, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized to mineral property. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base. Care and maintenance costs related to a property are expensed as incurred.

Mineral properties

Mine development costs, including acquisition costs and reclassified exploration and evaluation assets are recorded at cost less accumulated amortization and accumulated impairment losses. Costs associated with commissioning new assets, net of incidental revenue, are capitalized as mineral property costs until commercial production has commenced.

Mine development and stope access incurred during the development of a mine are capitalized into mineral property. Mine development and stope access incurred during the commercial production phase are production costs that are included in the costs of inventories produced during the period that these costs are incurred, unless the mine development and stope access activity can be shown to give rise to future benefits from the mineral property such as increased reserves, in which case the costs would be capitalized to mineral property.

The carrying values of mineral properties, plant and equipment are depreciated to their estimated residual values over their estimated useful lives or the estimated useful life of the associated mine, if shorter.

Mineral property acquisition and development costs and certain plant and equipment will be depreciated on a unit of production basis based upon proven and probable reserves. Depreciation related to production activities will be initially recorded in inventories when ore will be extracted from the mine.

2. Significant accounting policies (continued)

Foreign currencies

Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The presentation and functional currency of the Company and all of its subsidiaries is the Canadian dollar except for its United States subsidiaries which is the United States dollar ("US$").

An operation whose functional currency is not the Canadian dollar, the operation's assets and liabilities are translated to the presentation currency at the closing rate as at the date of the consolidated statements of financial position, and revenue and expenses are translated using the rate as at the time of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive income.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income (loss).

Cash

Restricted cash and investments are excluded from cash.

Taxation

Income tax expense represents the sum of current and deferred income taxes.

Current income taxes
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statements of financial position.

Deferred income taxes
Deferred income taxes are provided using the liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Income (Loss) per share

The basic income or loss per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the period. The diluted income or loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises their purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated closing and restoration costs associated with the asset.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is recorded over the shorter of the useful life of the asset or the remaining life of the mine. Depreciation for the major categories of property, plant and equipment is as follows:

Straight-line basis
Assets within operations for which usage is not expected to fluctuate significantly from one year to another are depreciated on a straight-line basis as follows:

Buildings	15 years
Computer equipment	1 - 5 years
Motor vehicles	10 years
Mine and mill equipment	3 - 15 years

Unit of production basis
Certain plant and equipment and mill will be depreciated on a unit of production basis based upon proven and probable reserves.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). The Company initially recognizes loans and receivables on the date they are originated. All other financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instruments.

Subsequent to initial recognition, financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's cash and cash equivalents and accounts receivable and sundry assets and restricted investments are classified as loans and receivables.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. During the periods presented, the Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. Significant accounting policies (continued)

Financial assets (continued)

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the rights and rewards of ownership of the financial asset are transferred.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated as FVTPL or other financial liabilities on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, promissory note payable, loans and borrowings and convertible promissory note payable debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statements of operations and comprehensive loss.

Impairment of financial assets

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

2. Significant accounting policies (continued)

Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or when annual impairment testing for an asset is required. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of operations and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Assets held for sale

The Company classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be able to classify as assets held for sale, the assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

The assets held for sale are recorded at the lower of its carrying amount and fair value less costs to sell, and depreciation on such assets cease.

2. Significant accounting policies (continued)

Decommissioning liabilities

Costs for reclamation and remediation are a normal consequence of mining, and the majority of these costs are incurred at the end of the life of the mine. Decommissioning liabilities were made for estimated close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of the affected areas) in the financial period when the related environmental obligation occurs, based on the estimated future costs using information available at the statement of financial position date. The costs are estimated on the basis of a closure plan which represents management's best estimate of the costs.

The decommission liabilities were discounted using a risk-free rate. At the time of establishing the decommission liabilities, a corresponding asset is capitalized within mineral property for amounts carried on the consolidated statements of financial position and will be depreciated over the period of benefits obtained by incurring those costs.

The decommission liabilities were reviewed on an annual basis to reflect known developments, such as revisions to cost estimates and to the estimated lives of operations, and for changes to legislation or discount rates. The cost of the related asset is adjusted for changes in the decommission liabilities resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed by way of note unless the likelihood of them crystallizing is considered remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed by way of note if they are deemed probable.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in note 15.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payment reserve, is recorded as an increase in common shares. Unexercised stock options and warrants are transferred to contributed surplus.

2. Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Company may also issue broker warrants, as part of private placements. The warrants are also accounted for in accordance with the requirements of IFRS 2, following the same principles as outlined above for the transactions with non-employees.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Convertible promissory notes

The Company's convertible promissory notes are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements.

The conversion feature of the convertible promissory notes is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the convertible promissory notes is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is re-measured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

2. Significant accounting policies (continued)

Significant accounting judgments and estimates

The Company makes estimates 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.

<u>Judgments:</u>
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 year are discussed below:

Exploration and evaluation stage
In management's judgment, the Company's operations are in the exploration and evaluation stage.

Mineral properties
Operating levels intended by management for the Copperstone mine:
Prior to a mine being capable of operating at levels intended by management, costs incurred are either expensed or capitalized based on the type of costs incurred. Costs related to developing the property are generally capitalized, while care and maintenance costs and costs related to exploration and evaluating new ore bodies are expensed. Management considers the Copperstone mine is capable of operating at levels intended by management once it reached consistent production of no less than 60% of planned volume for a period of 30 consecutive days. As of June 30, 2018 and June 30, 2017, the Copperstone mine had not met this target.

Functional currency
The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Impairment of property, plant and equipment
Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Present values are determined using a risk-adjusted pre-tax discount rate appropriate for the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against profit or loss.

2. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Estimates:
The following are some of the more significant estimates made in the preparation of these consolidated financial statements:

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

The Company's mining activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management's best estimate for asset retirement obligations in the period in which they occur. Actual costs incurred in future periods could differ materially from the estimates. The ultimate cost of environmental remediation can vary in response to many factors including future changes to environmental laws and regulations, the emergence of new restoration techniques, changes in the life of mine estimates and in discount rates, which could affect the carrying amount of the decommission liabilities. Refer to note 13 for more details.

Derivatives and debt valuation
The valuation of debt and embedded derivatives for convertible instruments is based on the application of a recognized option valuation formula, which is highly dependent on, amongst other things, the expected volatility of the Company's registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm's length transaction. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

Share based payments
The estimation of share-based compensation requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

New standards and interpretations adopted

IAS 7 – Statement of Cash Flows ("IAS 7") was amended by the IASB in January 2016. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash activities. The adoption of this amendment had no significant impact on the consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

IFRS 2 - Share-based Payment ("IFRS 2") was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for year ends beginning on or after January 1, 2018. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its financial statements.

2. Significant accounting policies (continued)

New standards not yet adopted and interpretations issued but not yet effective (continued)

IFRS 9 - Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its financial statements.

IFRS 10 - Consolidated Financial Statements ("IFRS 10"). IFRS 10 and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company is currently in the process of assessing the impact on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect this amendment to have a significant impact on its consolidated financial statements.

IFRS 16 - Leases (“IFRS 16”) was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued by the IASB in December 2016 and provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The interpretation applies for annual reporting periods beginning on or after January 1, 2018. The Company is currently in the process of assessing the impact on its consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its consolidated financial statements.

(Expressed in Canadian Dollars)

3. Assets held for sale and liabilities directly associated with assets held for sale

(a) Assets held for sale

The McGarry property, Barber Larder Property, and all related plant and equipment (collectively "McGarry assets") have been classified as held for sale in first quarter of 2018 for the following reasons:

- The directors of the Company made the determination that it would pursue the possible sale of the McGarry assets to two potential purchasers;
- McGarry assets were available for sale in its current condition;
- The actions to complete the sale were expected to be completed within one year;

(b) Liabilities directly associated with assets held for sale

The decommissioning liabilities directly associated to the McGarry assets have been classified as liabilities directly associated with assets held for sale.

No exploration or development activities had been undertaken on the McGarry assets since 2014. The assets were sold to Orenfinders Resources Inc., ("Orenfinders") (TSX-V:ORX), a Canadian based junior gold exploration company, for 8 million common shares of Orenfinders; and 440,248 common shares of Power Ore (TSX-V: PORE), a battery metal focused company. The Company has divested all its interest in the McGarry assets to Orenfinders and closed the transaction on August 15, 2018.

As at June 30, 2018, there was no impairment for the assets held for sale since the liabilities directly associated with assets held for sale was higher than the assets held for sale. The net amount was negative and resulted in a gain when the transaction closed on August 15, 2018.

The details of the McGarry assets and liabilities are as follows:

Mineral properties (Note 8)		
McGarry property	$	-
Barber Larder property		-
Total mineral properties classified as assets held for sale		**-**
Property and equipment (Note 7)		
Buildings		19,709
Mine and Mill equipment		-
Surface Vehicles		4,063
Computer equipment		3,975
Total property and equipment classified as assets held for sale		**27,747**
Assets held for sale at June 30, 2018		**27,747**
Decommissioning liabilities related to McGarry property (Note 13(a))		476,778
Liabilities directly associated with assets held for sale at June 30, 2018	**$**	**476,778**

(Expressed in Canadian Dollars)

4. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, restricted investments, long term receivable, accounts payable and accrued liabilities, promissory note payable, loans and borrowings, loan payable, convertible promissory notes, and net smelter return payable. As at June 30, 2018 and June 30, 2017, the carrying values of cash and cash equivalents, accounts receivable, marketable securities, restricted investments, accounts payable and accrued liabilities, convertible promissory notes, loans payable and loans and borrowings approximate their fair values since they are expected to be settled in the shortterm. The derivative in the convertible promissory note is marked-to-market at each period end and so the carrying amount also represents the fair value.

Fair value hierarchy

Assets and liabilities recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

In these consolidated financial statements, classification of assets and liabilities measured at fair value is as follows:

As at June 30, 2018	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 2,519	$ -	$ -
Restricted investments	1,531,890	-	-
Convertible promissory notes payables	-	4,194,119	-
Promissory note payables	-	2,136,863	-
Loan payable	-	3,856,783	-
Derivative financial liabilities	-	-	208,739
Decommissioning liabilities			2,174,079
	$ 1,534,409	**$ 10,187,765**	**$ 2,382,818**

As at June 30, 2017	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 2,519	$ -	$ -
Restricted investments	1,567,133	-	-
Loans and borrowings	-	221,371	-
Convertible promissory notes payables	-	3,777,362	-
Promissory note payables	-	2,000,000	-
Loan payable	-	3,609,763	-
Other payable	-	239,262	-
Derivative financial labilities	-	-	279,014
Decommissioning liabilities			2,691,269
	$ 1,569,652	**$ 9,847,758**	**$ 2,970,283**

4. Financial instruments (continued)

Interest rate and credit risk

The Company has cash and restricted investment balances. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at June 30, 2018, there were no receivables past due.

The majority of the Company's borrowings are fixed rate and therefore are not exposed to fluctuations in interest rates. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had cash of $1,035,247 (June 30, 2017 - $5,065,452) to settle current financial liabilities of 1,331,873 (June 30, 2017 - $3,155,131). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution.

The following table details the Company's contractual maturities for its financial liabilities as at June 30, 2018, due by year:

	2019	2020	Total
Accounts payable and accrued liabilities	$ 855,095	$ -	$ 855,095
Liabilities directly associated with assets held for sale	476,778		476,776
Loans payable	-	2,136,863	2,136,863
convertible promissory note payables	-	4,194,119	4,194,119
Long term loan payable	-	3,856,783	3,856,783
	$ 1,331,873	**$ 10,187,765**	**$ 11,519,638**

Currency risk

The Company's exploration activities are conducted in Ontario, Canada and Arizona, United States. Major purchases and exploration expenditures are transacted in US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk on its cash held in US bank and convertible promissory notes payable. As at June 30, 2018, the Company held US$1,082,343 of monetary assets and held US$5,742,596 in monetary liabilities. A $0.05 fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately $233,013. The Company mitigates the risk of foreign currency fluctuations by converting Canadian dollars to US currency when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

Sensitivity analysis

The carrying amount of financial instruments approximates their fair market value. The movement on cash and cash equivalents interest rates by a plus or minus 1% change would have no material impact on the value of those items.

(Expressed in Canadian Dollars)

4. Financial instruments (continued)

Sensitivity analysis (continued)

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- The Company has restricted cash as at June 30, 2018 at a fixed interest rate of between 0.75% and 1.00% per annum. An increase in the interest rate of 1% would result in a $15,100 (June 30, 2017 - $16,000) increase in the interest earned on the investment.
- The Company has loans and borrowings as at June 30, 2018 with various fixed interest rates. Therefore, a percentage change in interest rates will not have a significant impact on the Company.

5. Restricted investments

	As at June 30, 2018	As at June 30, 2017
Restricted investments		
Guaranteed investment certificates [1]	**$ 457,405**	$ 455,150
Short-term cashable account [2]	**1,074,485**	1,058,923
	1,531,890	1,514,073
Reclamation bonds		
Ministry of Northern Development and Mines [3]	**-**	53,060
Total	**$ 1,531,890**	$ 1,567,133

[1] Letters of credit are secured by the GIC investment as disclosed in (note 21(b)) and relate to the decommission liabilities on the McGarry property (note 13 (a)). This amount was released to the Company after the disposal of McGarry assets in August 2018.

[2] Pursuant to the term of the surety bond disclosed in (note 21(c)) the Company provided cash collateral of $1,074,485 or US$816,000 (June 30, 2017 - $1,058,923 or US$816,000) which is held with the Bank of New York in the name of the Company to cover a portion of the decommission liabilities related to Copperstone property (note 13 (b)).

[3] The Company had a cash deposit of $53,060 (including accumulated interest) with the Ministry of Northern Development and Mines of the province of Ontario ("MNDM") to cover a portion of the decommission liabilities related to the Bear Lake property (note 13 (c)). The property has been sold in 2016, and the cash deoposit has been released in 2018.

6. Accounts receivable

	As at June 30, 2018	As at June 30, 2017
HST receivable	**$ 214,569**	$ 135,091
Other receivables	**2,019**	37,088
Total	**$ 216,588**	$ 172,179

The HST receivable $214,569 was refunded to the Company on August 25, 2018.

(Expressed in Canadian Dollars)

7. Property, plant and equipment

Cost	Building	Mine and Mill equipment	Surface vehicles	Computer Equipment	Mill	Total
Balance at June 30, 2016	**$2,576,381**	**$1,903,528**	**$2,302,812**	**$114,941**	**$5,549,013**	**$12,446,674**
Foreign exchange	12,071	(9,991)	12,489	280	41,420	56,267
Balance at June 30, 2017	**2,588,450**	**1,893,536**	**2,315,301**	**115,221**	**5,590,433**	**12,502,941**
Disposals	-	-	(768,052)	-	-	(768,052)
Assets held for sale	(74,813)	(1,353,229)	(15,334)	(54,619)		- 1,497,994
Foreign exchange	38,422	20,618	22,181	894	131,853	213,967
Balance at June 30, 2018	**$2,552,059**	**$560,926**	**$1,554,095**	**$61,496**	**$5,722,286**	**$10,450,862**

Accumulated Depreciation	Building	Mine and Mill equipment	Surface vehicles	Computer Equipment	Mill	Total
Balance at June 30, 2016	**$45,608**	**$1,251,324**	**$24,908**	**$100,841**	**-**	**$1,422,681**
Depreciation for the year	9,496	174,303	3,030	7,243	-	194,072
Balance at June 30, 2017	**55,104**	**1,425,627**	**27,938**	**108,084**	**-**	**1,616,753**
Depreciation		61,798	243,935	4,055	-	309,788
Assets held for sale	(55,104)	(1,353,229)	(11,271)	(50,644)	-	(1,470,248)
Balance at June 30, 2018	**$-**	**$134,196**	**$260,602**	**$61,495**	**$ -**	**$456,293**

Carrying value	Building	Mine and Mill equipment	Surface vehicles	Computer Equipment	Mill	Total
Balance at June 30, 2016	$2,530,773	$652,204	$2,277,904	$14,100	$5,549,013	$11,023,993
Balance at June 30, 2017	$2,533,346	$467,909	$2,287,363	$7,137	$5,590,433	$10,886,188
Balance at June 30, 2018	$2,552,059	$426,729	$1,293,494	$-	$5,722,286	$9,994,569

(Expressed in Canadian Dollars)

8. Mineral properties

The carrying value of mineral properties is as follows:

		As at June 30, 2018		As at June 30, 2017
Copperstone Property	**$**	**7,270,465**	$	7,270,465
McGarry Property		-		-
Barber Larder Property		-		-
Total	**$**	**7,270,465**	$	7,270,465

Copperstone

The Company is engaged in exploring and developing the Copperstone gold property (“Copperstone Project”) in La Paz County, Arizona, United States.

The Company holds a 100% leasehold interest in the Copperstone Project. The landlord is The Patch Living Trust. The current lease expires June 12, 2026. The lease is renewable for one or more ten-year terms at the Company’s option under the same terms and conditions. The Company is obligated to pay for all permitting and state lease bonding, insurance, taxes, and is also required to pay an annual lease payment of USD $40,000 to the Patch Living Trust. In addition, the Company is obligated to pay a quarterly production gross royalty equal to 1.5% of the disposition of Metal Products by the Company. Total annual production gross royalty obligations for the Copperstone Property total 6%. Of the annual gross production royalty, 4.5% is payable to Trans Oceanic Minerals Company Ltd., a company controlled by Fahad Al Tamimi, the Company’s Chairman of the Board of Directors, and 1.5% payable to the Patch Living Trust.

All required property payments were made with respect to the Copperstone Project as of June 30, 2018, and all claims are in good standing. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and meet other commitments.

McGarry Property

The McGarry Property is located in the southwestern part of McGarry Township within the Larder Lake Mining Division of Ontario, Canada. The McGarry Property consists of 34 contiguous, patented mining claims (31) and mining licenses of occupation (3) totaling 1,112.0 acres with surface rights on a majority of the claims totaling 975.56 acres. The mining rights and surface rights are all in good standing and are maintained by the payment of annual taxes since no work requirements exist.

The McGarry property was owned 75% by Kerr Mines Inc. and 25% by Jubilee Gold Inc. All proceeds of production from the property were to the Company, subject to a royalty interest held by Jubilee Gold Inc. which provides for a net smelter royalty payable to Jubilee starting at 2% and increasing to 4% when the price of gold exceeds US$800 per ounce. On February 28, 2017, the Company reached an agreement with Jubilee Gold Exploration Ltd. to settle the accrued advance royalty payable. The companies have also revised their existing royalty agreement to remove all future advance royalty obligations relating to the McGarry property. The Company paid $100,000 to settle the existing liability of approximately $1,000,000 and paid a further $100,000 in consideration for the cancellation of all future advance royalty obligations.

(Expressed in Canadian Dollars)

8. Mineral properties (continued)

McGarry Property (continued)

The McGarry property was sold to Orenfinders Resources Inc., for 8 million common shares of Orenfinders; and 440,248 common shares of Power Ore. The Company has divested all of its interest in the McGarry assets to Orenfinders and closed the transaction on August 15, 2018 (note 3).

Barber Larder Property

The Barber Larder Property consists of 15 patented claims and 2 mining licenses of occupation totaling 237 hectares or 585 acres. The mining claims are located contiguous to the western boundary of the Company's McGarry Property.

The Barber Larder property was sold to Orenfinders on August 15, 2018 (note 3).

9. Accounts payable and accrued liabilities

	As at June 30, 2018	As at June 30, 2017
Trade payables	**$ 722,470**	$ 2,743,954
Accrued liabilities	**132,500**	183,507
Payroll liabilities	**125**	6,299
Total	**$ 855,095**	$ 2,933,760

10. Promissory notes payable

Braydon Capital Corporation (a company controlled by Claudio Ciavarella, a Director, a shareholder and creditor of Kerr) and Trans Oceanic Minerals Corporation Ltd. (a company controlled by Fahad Al Tamimi, Kerr's Chairman of the Board, a shareholder and creditor of Kerr) have each agreed to provide the Company with promissory notes of $1,000,000 bearing interest at 8% after the first year and having a maturity date three (3) years from the date of issuance. The promissory notes are secured by a general security agreement in the Copperstone Mine. The balance includes accrued interest of $136,863 as at June 30, 2018 (2017 - $Nil).

	June 30, 2018	June 30, 2017
Long term debt facility	**$ 2,000,000**	$ 2,000,000
Accrued interest	**136,863**	-
Total	**$ 2,136,863**	$ 2,000,000

11. Convertible promissory notes payable

Kerr debenture I

The Company has a convertible promissory note in the amount of US$2,054,570 ("Kerr debenture I") payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture I has a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly, payable quarterly. The interest will not accrue and will not be payable until August 22, 2017. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.90 per common share.

Kerr debenture II

The Company has a convertible promissory note in the amount of US$1,000,000 ("Kerr debenture II") payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture II has a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly, payable quarterly. The interest will not accrue and will not payable until August 22, 2017. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.065 per common share.

The conversion feature of a convertible financial instrument is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32, Financial Instruments: Presentation. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed"). Since the convertible promissory note payables are denominated in US dollar, but are convertible into common shares based upon a Canadian dollar conversion rate, therefore the fixed for fixed criteria is not met. As such, the conversion option cannot be classified as an equity instrument. The company allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the conversion option carried at fair-value. On initial recognition, $258,305 has been allocated to the derivative financial liabilities, classified as fair value through profit and loss; and $3,697,363 has been allocated to the debenture component.

Accretion expense of $86,102 (2017 - $71,752) related to the convertible debenture component was recorded during the year ended June 30, 2018.

The fair value of the derivative financial liabilities increased by $20,709 during the year ended June 30, 2017 and decreased by $24,856 during the year ended June 30, 2017 due to the changes in stock price, risk free rate and expected volatility at the end of each reporting date.

(i) Debenture component

Kerr debenture I	$	2,660,668
Kerr debenture II		1,295,000
Less derivative financial liabilities on initial recognition		(258,305)
Convertible promissory notes payables at August 22, 2016		**3,697,363**
Accrued interest		-
Accretion expenses		71,752
Foreign exchange difference		8,247
Convertible promissory notes payables at June 30, 2017		**3,777,362**
Accrued interest		272,313
Accretion expenses		86,102
Foreign exchange difference		58,342
Convertible promissory notes payables at June 30, 2018	**$**	**4,194,119**

(Expressed in Canadian Dollars)

11. Convertible promissory notes payable (continued)

(ii) Derivative financial liabilities

Derivative financial liabilities on initial recognition	$	258,305
Loss on derivative financial liabilities		20,709
Balance at June 30, 2017		**279,014**
Gain on derivative financial liabilities		(70,275)
Balance at June 30, 2018	**$**	**208,739**

12. Loan payable

This loan is a promissory note in the amount of $3,609,763 with maturity date of August 22, 2019, payable to Braydon Capital Corporation. Interest accrues at the rate of 8% per annum on the outstanding principal amount from September 30, 2017 until the termination date.

		June 30, 2018		June 30, 2017
Loan Payable	**$**	**3,609,763**	$	3,609,763
Accrued interest		**247,020**		-
Total	**$**	**3,856,783**	$	3,609,763

13. Decommissioning liabilities

The Company's decommissioning liabilities relates to the cost of removing and restoring of the McGarry property in the Township of McGarry and the Copperstone Mine in La Paz County, Arizona. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. This estimate depends on the development of environmentally acceptable mine closure plans.

A continuity for decommissioning liabilities is as follows:

Decommissioning liabilities	**Bear Lake (c)**	**McGarry (a)**	**Copperstone (b)**	**Total**
Balance, June 30, 2016	$ 53,060	$ 471,198	$ 2,179,076	$ 2,703,334
Accretion expense for the year	-	5,580	-	5,580
Foreign exchange differences	-	-	(17,645)	(17,645)
Balance, June 30, 2017	53,060	476,778	2,161,431	2,691,269
Accretion expense for the year	-	-	36,337	36,337
Disposals	(53,060)	-	-	(53,060)
Classified at liabilities directly associated with assets held for sale		(476,778)		(476,778)
Foreign exchange differences	-	-	(23,689)	(23,689)
Balance, June 30, 2018	$ -	$ -	$ 2,174,079	$ 2,174,079

(Expressed in Canadian Dollars)

13. Decommissioning liabilities (continued)

(a) McGarry:

The decommissioning liability related to McGarry was estimated to be $476,778 to which the Company has provided a letter of credit as disclosed in (note 21(b)) and is secured by GIC investment (note 5(a)). This liability has been reclassified as liabilities directly associated with assets held for sale (note 3(b)).

(b) Copperstone:

The mine closure decommission liability is based upon numerous estimates and assumptions, as follows:
i) Total undiscounted amount of future retirement costs was estimated to be US$1,764,096 (Cdn$2,322,962) to which the Company has provided cash collateral as disclosed in (note 21(d)).
ii) Risk-free rate at 2.12%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
iv) Inflation over the period up to 2021 was estimated to be 1.62% per annum.

(c) Bear Lake

The Company had a cash deposit of $53,060 (including accumulated interest) (note 5(c)) with the Ministry of Northern Development and Mines of the province of Ontario ("MNDM") to cover a portion of the decommission liability related to the Bear Lake property. The property was sold in 2016, and the liability has been released in 2018.

14. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	Amount
Balance, June 30, 2016	128,470,951	$ 123,100,636
Shares issued for debt settlements	35,497,914	3,932,198
Conversion of promissory note (i)	27,000,000	1,350,000
Shares issued in financing (ii)	35,640,538	6,415,297
Value allocated to warrants (ii)	-	(2,379,100)
Share issue cost		(154,103)
Balance, June 30, 2017	226,609,403	$ 132,264,928
Shares issued in financing (ii)	8,803,896	1,584,701
Shares issued in financing (iii)	20,371,869	6,111,564
Value allocated to warrants (ii)	-	(320,810)
Share issue cost		(273,852)
Balance, June 30, 2018	255,785,168	$ 139,366,531

(i) During the year ended June 30, 2017, Trans Oceanic Minerals Corporation Ltd., a company controlled by Fahad Al Tamimi, Kerr's Chairman of the Board, a shareholder and creditor of Kerr., elected to convert a promissory note in the amount of $1,350,000 into 27,000,000 common shares of the Company.

(Expressed in Canadian Dollars)

14. Share capital (continued)

b) Common shares issued (continued)

(ii) In June 2017, the Company announced non-brokered private placement by issuing an aggregate of 44,444,434 units at a price of $0.18 per unit for gross proceeds of approximately $8 million. Each unit is comprised of one common share and one -half of common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.27 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of $0.40, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

On June 29, 2017, the Company closed the first tranche of a non-brokered private placement. There were 35,640,538 units issued at a price of $0.18 per unit for gross proceeds of $6,415,297. $2,379,100 has been allocated to the 17,820,269 share purchase warrants. The fair value of warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1%; volatility 103% and an expected life of 24 months.

On July 10, 2017 the Company closed the final tranche of a non-brokered private placement, by issuing 8,803,896 units for gross proceeds of $1,584,701. $320,810 has been allocated to the 4,401,948 share purchase warrants. The fair value of warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 106% and an expected life of 24 months.

(iii) On December 14, 2017, the Company closed a non-brokered private placement, by issuing 20,371,869 common shares of the Company at a price of $0.30 per share for total gross proceeds of $6,111,564.

15. Stock options

The purpose of the Company's stock option plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table reflects the continuity of stock options for the year ended June 30, 2018 and June 30, 2017:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2016	-	$ -
Issued (i)	4,000,000	0.19
Balance, June 30, 2017	4,000,000	$ 0.19
Issued (ii)	3,880,000	0.22
Issued (iii)	2,000,000	0.30
Balance, June 30, 2018	9,880,000	$ 0.22

(Expressed in Canadian Dollars)

15. Stock options (continued)

(i) On May 2, 2017, the Company issued 4,000,000 stock options to two directors of the Company with an exercise price of $0.19. These options vest as follows: 1,000,000 ninety (90) days after the grant date; 500,000 on May 2, 2018; 500,000 on May 2, 2019; 1,000,000 upon the completion of a Feasibility Study, 500,000 one year following the completion of a Feasibility Study and 500,000 two years following the completion of a Feasibility Study. The grant date fair value of $612,800 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.19; 115% expected volatility; risk free interest rate of 1.00%; and an expected dividend yield of 0%. For the year ended June 30, 2018, $326,782 was expensed to option-based payments (year ended June 30, 2017 - $178,496).

(ii) On August 23, 2017 the Company issued 3,880,000 stock options to certain directors and officers of the Company with an exercise price of $0.22. The options vest immediately. The fair value of these options at the date of grant of $677,529 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.22; 111% expected volatility; risk free interest rate of 1.51%; and an expected dividend yield of 0%. For the year ended June 30, 2018, $677,529 was expensed to option-based payments.

(iii) On January 12, 2018 the Company issued 2,000,000 stock options to certain directors and officers of the Company with an exercise price of $0.30. The options vest immediately. The fair value of these options at the date of grant of $513,770 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.32; 111% expected volatility; risk free interest rate of 1.97%; and an expected dividend yield of 0%. For the year ended June 30, 2018, $513,770 was expensed to option-based payments.

The following table reflects the actual stock options outstanding and exercisable as of June 30, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	3.84	4,000,000	2,500,000
August 23, 2022	0.22	4.15	3,880,000	3,880,000
January 12, 2023	0.30	4.54	2,000,000	2,000,000
	0.22	4.14	9,880,000	8,380,000

16. Warrants

The following table reflects the continuity of warrants for the year ended June 30, 2018 and June 30, 2017:

	Number of warrants	Amount
Balance, June 30, 2016	23,403,335	$ 0.70
Issued (note 14(b)(i))	17,820,269	0.27
Expired	(23,403,335)	0.70
Balance, June 30, 2017	17,820,269	$ 0.27
Issued (note 14(b)(ii))	4,401,948	0.27
Balance, June 30, 2018	22,222,217	$ 0.27

(Expressed in Canadian Dollars)

16. Warrants (continued)

The following table reflects the actual warrants outstanding as of June 30, 2018:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
17,820,269	2,379,100	0.27	June 29, 2019
4,401,948	320,810	0.27	July 10, 2019
22,222,217	2,699,910	0.27	

17. Exploration and Evaluation Expenditures

	Year Ended June 30, 2018	Year Ended June 30, 2017
Bear Lake property	**$ -**	$ 54,469
McGarry property	**-**	283,036
Copperstone property	**8,228,728**	4,107,013
	$ 8,228,728	$ 4,444,518

18. Net gain on settlement of debts

During the year ended June 30, 2018, the Company entered into debt settlement and deferral agreements with various creditors and debt holders that resulted in a net gain on debt settlements of $1,287,234 (year ended June 30, 2017 - $5,820,839), representing the discount from the face value of the debt.

19. Loss per share

For the year ended June 30, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $11,568,134 (year ended June 30, 2017 - loss of $1,336,137) and the weighted average number of common shares outstanding of 246,223,138 (year ended June 30, 2017 - 177,921,368) for basic and diluted loss per share. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

20. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(Expressed in Canadian Dollars)

20. Related party transactions (continued)

(a) Loans from related parties
The Company has entered into a series of financial transactions with related parties as detailed below.

	June 30, 2018		
Loans from related parties	**Officers**	**Directors**	**Total**
Promissory note payables (note 10)	$1,068,431	$1,068,431	$2,136,8620
Convertible promissory note payables (note 11)	-	4,194,119	4,194,119
Derivative financial liabilities (note 11)	-	208,739	208,739
Loan payable (note 12)	3,856,783	-	3,856,783
Total	**$4,925,214**	**$5,471,288**	**$10,396,502**

	June 30, 2017		
	Officers	**Directors**	**Total**
Promissory note payables (note 10)	$1,000,000	$1,000,000	$2,000,000
Convertible promissory note payables (note 11)	-	3,777,362	3,777,362
Derivative financial liabilities (note 11)	-	279,014	279,014
Loan payable (note 12)	3,609,763	-	3,609,763
Total	**$4,609,763**	**$5,056,376**	**$9,666,139**

(b) The Company entered into the following transactions with related parties:

	For the year ended June 30, 2018		
	Officers	**Directors**	**Total**
Salaries and wages (a)	$101,396	-	$101,396
Professional fees (b) (c)	44,678	109,449	109,449
Consulting fees (d) (e)	-	145,000	145,000
Interest on loans (f), (g), (h)	315,451	340,744	656,195
Share-based payments	758,288	606,127	1,364,415
Total	**$1,219,814**	**$1,201,320**	**$2,421,133**

	For the year ended June 30, 2017		
	Officers	**Directors**	**Total**
Consulting fees (d)	175,000	120,000	295,000
Share-based payments	178,496	-	178,496
Total	**$353,496**	**$120,000**	**473,496**

(Expressed in Canadian Dollars)

20. Related party transactions (continued)

(a) The salary and wages to officers included wages to Chris Hopkins for providing Chief financial officer ("CFO") services. Chris resigned in December 2017.
(b) The professional fees to officers were paid to Marrelli Support Services and DSA Corporate Services Inc., companies controlled by the new CFO, Carmelo Marrelli, in the amount of $44,678 (2017 - $0). The payments were for accounting, corporate secretarial and regulatory compliance services provided to the Company. As at June 30, 2018, $7,700 professional fees was outstanding (2017 - $nil).
(c) The professional fees to directors were paid to Peterson McVicar LLP, a law firm controlled through partnership by a director of the Company. The payments were for legal services provided to the Company.
(d) The consulting fees to officers were paid to Chris Hopkins for the CFO services provided to the Company.
(e) The consulting fees to directors were paid to Silvergate Consulting, a company controlled by a director of the Company. The payments were for investor relationship and financial advisory services provided to the Company.
(f) Interest to officers were the interests accrued to Braydon Capital Corporation for the promissory note payables (note 10) and loan payable (note 12).
(g) Interest to directors were the interests accrued to Trans Oceanic Minerals Corporation for the promissory note payables (note 10) and convertible promissory notes payable (note 11).

21. Commitments and contingencies

(a) Jubilee Gold Inc., the royalty holder on the McGarry property, is entitled to the greater of:
(i) a Net Smelter Return royalty of a percentage of the price per troy ounce as follows:
2% when less than US$500
3% when greater than US$500 and less than US$800
4% when greater than US$800;
(ii) $1.00 per short ton of ore derived from the properties;

Balance, June 30, 2016	$	953,916
Advance royalty payable		52,959
Settlement of debt		(1,006,875)
Balance, June 30, 2017 and June 30, 2018	$	-

(b) The Company had a letter of credit outstanding as at June 30, 2018 in the amount of $457,405 (June 30, 2017 - $455,150) which is supported by the restricted investments (note 5).
(c) The Company has placed a surety bond of an insurance company in connection with the Copperstone project, as required by the US Bureau of Land Management. Cash collateral of $1,052,638 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account.
(d) The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities.

(Expressed in Canadian Dollars)

22. Loans and borrowings

	Year Ended June 30, 2018	Year Ended June 30, 2017
The Company borrowed a loan in 2013 to purchase equipment, and defaulted the loan in 2016. The lender took possession of the equipment to liquidate the equipment to cover the outstanding debt in 2016. The remaining balance was written off in 2018.	**$ -**	$ 21,371
This is a non-interest bearing loan with no fixed terms of repayment and it is payable upon demand. The loan was settled with issuance of common stocks and warrants in July 2018.	**-**	200,000
	$ -	$ 221,371

23. Other payable

The other payable $239,262 (USD$200,000) was paid in July 2018.

24. Income taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the year ended June 30, 2018 and 2017 is as follows:

	June 30, 2018	June 30, 2017
	$	$
Loss before income taxes	**11,568,134**	(1,336,137)
Combined statutory rate	**25%**	25%
Estimated recovery of income taxes	**2,892,000**	(334,000)
Non-deductible expenditures	**(18,000)**	132,000
Share issue costs	**(61,000)**	(15,000)
Foreign tax rate differential	**1,210,000**	217,000
Deferred tax asset not recognized	**1,761,000**	-
Deferred income tax expense (recovery)	**-**	-

The Canadian statutory income tax rate of 25% (2017 – 25%) is comprised of the federal income tax rate at approximately 15% (2017 – 15%) and the provincial income tax rate of approximately 10% (2017 – 10%).

(Expressed in Canadian Dollars)

24. Income taxes (continued)

The primary differences which give rise to the deferred income tax assets (liability) as at June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
	$	$
Deferred income tax assets (liability)		
Non-capital loss carryforwards	**20,619,000**	17,577,000
Pre-production investment tax credit	**2,625,000**	2,625,000
Other timing differences	**(2,414,000)**	(2,719,000)
Resource expenditures	**39,204,000**	39,204,000
Net capital losses	**(406,000)**	(406,000)
	59,628,000	56,281,000
Deferred tax asset not recognized	**(59,628,000)**	(56,281,000)
Deferred income tax assets (liabilities)	**-**	-

As at June 30, 2018, the unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $406,000 (2017 - $665,000) and will be deductible over the next four years.

As at June 30, 2018, the Company has $133,077,000 (2017 - $130,023,000) of unused CEE, CDE and FED expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely. In addition, the Company has resource pools of $67,709,000 in the United States as at June 30, 2017, which can be utilized to be deducted against future resource profits.

As at June 30, 2018, the Company has $2,413,000 (2017 - $2,413,000) of certain Investment Tax Credits that can be used to offset future taxes payable.

As at June 30, 2018, the Company has Canadian loss carry-forwards of approximately $43,304,000 (2017 - $42,587,000) and US tax loss carry forwards of approximately $19,708,000 (2017 - $17,353,000). These non-capital losses can be used to offset future taxable income and begin to expire in 2027. The Company also has Canadian capital loss carry-forwards of approximately $5,802,000 (2017 - $5,802,000) that can be carried forward indefinitely and be applied against future capital gains.

The benefits of these losses, tax credits and resource expenditures, in excess of any taxable temporary differences, have not been recorded in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

(Expressed in Canadian Dollars)

25. Segmented information

As at June 30, 2018, the Company's operations comprise two operating segments engaged in mineral exploration and development in Virginiatown, Ontario ("Canada") and La Paz County, Arizona ("USA") which also represent geographical location.

Year Ended June 30, 2018

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (2,264,061)	$ (9,304,073)	$(11,568,134)

Year Ended June 30, 2017

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net income (loss)	$ 2,052,076	$ (3,388,213)	$ (1,336,137)

As at June 30, 2018

	Canada	USA	Total
Total assets	$ 1,811,519	$ 18,586,550	$ 20,398,069
Non-current assets	$ 457,405	$ 18,339,519	$ 18,796,924

As at June 30, 2017

	Canada	USA	Total
Total assets	$ 6,343,770	$ 19,319,220	$ 25,662,990
Non-current assets	$ -	$ 19,723,786	$ 19,723,786

26. Capital risk management

The Company manages its capital with the following objectives:

- to safeguard the Company's ability to continue as a going concern,
- to raise sufficient non-flow through proceeds from share issues to meet general and administrative expenditures,
- to provide an adequate return to shareholders by advancing the Company's projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and
- to maintain the royalty prepayments within the limits allowed by the agreement.

The Company has loans payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at June 30, 2018 amount to $16,683,378 (June 30, 2017- $19,298,314). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. 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.

26. Capital risk management (continued)

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2018.

27. Subsequent event

On July 18, 2018, the Company announced the signing of a letter of intent for US$27.6 Million with Pandion Mine Finance for project financing and makes a positive production decision. The financing is subject to the execution of a Prepaid Forward Gold Agreement (the "Agreement"), with an anticipated initial tranche of US$19.6 million and a second tranche of US$8 million. The proceeds of the Agreement will be primarily used to fund the Copperstone Mine into production by the fourth quarter of 2019.

On August 15, 2018 the Company had divested all of its interests in McGarry assets to Orefinders and closed the transaction. The Company received 8,000,000 common shares, approximately 9.0%, of Orefinders outstanding share capital, in addition, the Company will receive 440,248 common shares of Power Ore (TSX-V: PORE), a battery metal focused company.

28. Comparative information

Certain 2017 comparative figures have been reclassified to reflect the current year's presentation.