KERR MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kerr Mines Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kerr Mines Inc. as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
September 30, 2019

Kerr Mines Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at June 30,2019	As at June 30,2018
ASSETS		
Current assets		
Cash	**$ 446,477**	$ 1,035,247
Marketable securities	**2,519**	2,519
Assets held for sale (note 5)	**-**	27,747
Receivables (note 7)	**220,613**	216,588
Prepaid expenses and other assets	**193,301**	319,044
Total current assets	**862,910**	1,601,145
Non-current assets		
Restricted investments (note 6)	**1,067,876**	1,531,890
Property, plant and equipment (note 8)	**9,263,891**	9,994,569
Mining properties (note 9)	**7,270,465**	7,270,465
Total non-current assets	**17,602,232**	18,796,924
Total assets	**$ 18,465,142**	$ 20,398,069
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**$ 697,666**	$ 855,095
Liabilities directly associated with assets held for sale (note 5)	**-**	476,778
Total current liabilities	**697,666**	1,331,873
Non-current liabilities		
Promissory notes payable (note 11)	**6,491,113**	5,993,646
Convertible promissory notes payable (note 12)	**7,021,663**	4,194,119
Derivative financial liabilities (note 13)	**430,295**	208,739
Deferred tax liabilities (note 23)	**40,772**	-
Decommissioning liabilities (note 14)	**2,271,222**	2,174,079
Total non-current liabilities	**16,255,065**	12,570,583
Total liabilities	**16,952,731**	13,902,456
Equity		
Share capital (note 15)	**141,743,418**	139,366,531
Contributed surplus	**13,064,554**	10,531,788
Share-based payments reserve (note 16)	**2,017,768**	1,696,578
Warrant reserve (note 17)	**1,402,665**	2,699,910
Accumulated other comprehensive income	**594,297**	498,689
Deficit	**(157,310,291)**	(148,297,883)
Total equity	**1,512,411**	6,495,613
Total liabilities and equity	**$ 18,465,142**	$ 20,398,069

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 22)
Subsequent events (note 25)

Approved on behalf of the Board:

(Signed) "Fahad Al Tamimi" Director (Signed) "Claudio Ciavarella" Director

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

Kerr Mines Inc.

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

	Year Ended June 30, 2019	Year Ended June 30, 2018
Operating expenses		
Exploration and evaluation expenditures (note 18)	**$ 6,075,916**	$ 8,228,728
General and administrative	**40,342**	256,018
Depreciation (note 8)	**454,066**	309,788
Salaries and benefits	**6,832**	115,434
Consulting fees (note 21)	**137,547**	774,103
Professional fees	**214,195**	192,769
Promotion and travel	**46,443**	105,393
Shareholder relations	**177,968**	111,440
	(7,153,309)	(10,093,673)
Loss on disposal of other assets	**(439,598)**	(732,521)
Gain on disposal of mineral properties (note 5)	**491,963**	-
Realized loss on sale of marketable securities (note 5)	**(148,994)**	-
Finance charges	**(1,324,530)**	(726,122)
Net gain on settlement of debts (note 19)	**-**	1,287,234
Fair value adjustment of derivative financial liabilities	**47,072**	70,275
Interest and other revenue	**11,327**	5,498
(Loss) gain on foreign exchange	**(47,429)**	139,257
Share-based payments (note 16)	**(474,856)**	(1,518,082)
Net loss before taxes	**$ (9,038,354)**	$(11,568,134)
Deferred tax recovery (note 23)	**25,946**	-
Net loss for the year	**$ (9,012,408)**	$(11,568,134)
Other comprehensive income (loss)		
Foreign currency translation adjustments	**$ 95,608**	$ (787,937)
Other comprehensive income (loss) for the year	**$ 95,608**	$ (787,937)
Total comprehensive loss for the year	**$ (8,916,800)**	$(12,356,071)
Basic and diluted net loss per share (note 20)	**$ (0.03)**	$ (0.05)
Weighted average number of common shares outstanding	**268,993,587**	246,223,138

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, 2019	Year Ended June 30, 2018
Operating activities		
Net loss for the year	**$ (9,012,408)**	$(11,568,134)
Adjustments for non-cash items:		
Deferred tax recovery	**(25,946)**	-
Depreciation	**454,066**	309,788
Share-based payments	**474,856**	1,518,082
Accretion expenses	**317,779**	308,650
Realized loss on marketable securities	**148,994**	-
Fair value adjustment on derivative liabilities	**(47,072)**	469,985
Gain on disposal of mineral properties	**(491,963)**	(1,287,234)
Change in decommissioning liabilities	**91,977**	(70,275)
Loss on disposal of other assets	**439,598**	732,521
Changes in non-cash working capital items:		
Receivables	**(4,025)**	(44,409)
Prepaid expenses and other assets	**(51,374)**	362,900
Accounts payable and accrued liabilities	**157,429**	(812,802)
Net cash used in operating activities	**(7,548,089)**	(10,080,928)
Investing activities		
Proceeds from sale of marketable securities	**404,026**	-
Net cash provided by investing activities	**404,026**	-
Financing activities		
Release of restricted cash	**464,014**	-
Issuance of common shares and warrants, net of transaction costs	**3,386,395**	7,222,413
Proceeds from convertible note payable, net of transaction costs	**2,509,252**	-
Other payables repaid	**-**	(239,262)
Net cash provided by financing activities	**6,359,661**	6,983,151
Net decrease in cash	**(784,402)**	(3,097,777)
Effect of exchange rate changes on cash	**195,632**	(932,428)
Cash, beginning of year	**1,035,247**	5,065,452
Cash, end of year	**$ 446,477**	$ 1,035,247
Supplementary cash flow information:		
Marketable securities received on disposal of mineral properties	**553,020**	-
Common shares issued for debt settlement	**-**	200,000

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)

	Share capital	Contributed surplus	Share-based payments reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, June 30, 2017	**$ 132,264,928**	**$ 10,531,788**	**$ 178,496**	**$ 2,379,100**	**$ 1,286,626**	**$ (136,729,749)**	**$ 9,911,189**
Common shares issued in private placements	7,696,265	-	-	-	-	-	7,696,265
Transaction costs	(273,852)	-	-	-	-	-	(273,852)
Warrants issued	(320,810)	-	-	320,810	-	-	-
Share-based payments	-	-	1,518,082	-	-	-	1,518,082
Foreign currency translation adjustments	-	-	-	-	(787,937)	-	(787,937)
Net loss for the year	-	-	-	-		(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**
Common shares issued in private placements	3,442,518	-	-	-	-	-	3,442,518
Transaction cost	(56,123)	-	-	-	-	-	(56,123)
Warrants expired	-	2,379,100	-	(2,379,100)	-	-	-
Warrants issued with shares	(1,009,508)	-	-	1,009,508	-	-	-
Warrants issued with convertible debentures	-	-	-	72,347	-	-	72,347
Stock-options expired	-	153,666	(153,666)	-	-	-	-
Share-based payments	-	-	474,856	-	-	-	474,856
Foreign currency translation adjustments	-	-	-	-	95,608	-	95,608
Net loss for the year	-	-	-	-	-	(9,012,408)	(9,012,408)
Balance, June 30, 2019	**$ 141,743,418**	**$ 13,064,554**	**$ 2,017,768**	**$ 1,402,665**	**$ 594,297**	**$ (157,310,291)**	**$ 1,512,411**

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") was incorporated under the laws of the Province of Ontario. The principal business activities are directed towards exploring and developing the Copperstone gold property ("Copperstone") 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 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4, Canada.

As at June 30, 2019, the Company had working capital of $165,244 (June 30, 2018 – $269,272). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of $9,012,408 for year ended June 30, 2019 (year ended June 30, 2018 - loss of $11,568,134) and has an accumulated deficit of $157,310,291 as at June 30, 2019, (June 30, 2018 - $148,297,883), 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, 2019, the Company is in the process of advancing the Copperstone Mine project to commercial production. The continued operations of the Company and the amounts recoverable on the properties are dependent upon the ability of the Company to conclude project financing to advance the Copperstone mine to commercial production.

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 Board of Directors approved these consolidated financial statements for issue on September 30, 2019.

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.

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. Bear Lake Gold Ltd. is now a dormant company.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

The acquisition of a business is accounted for using the acquisition method. The cost of the acquisition is measured based on the fair value of the consideration provided and allocated to the identified assets and liabilities of the acquiree. The goodwill arising, if any, is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of net identifiable assets acquired and the liabilities assumed.

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. The Copperstone project had not reached commercial production as at June 30, 2019.

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 are depreciated on a unit of production basis based upon proven and probable reserves. Depreciation related to production activities is initially recorded in inventories when ore is extracted from the mine. As the Company is in the commissioning stage, the depreciation is recorded in mineral property in the same period as the capitalized revenue from the sale of the inventories.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in contributed surplus. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is left in contributed surplus.

2. Significant accounting policies (continued)

Foreign currency

Foreign currency translations

IAS 21, the effects of changes in foreign exchange rates, takes a functional currency approach, looking at each entity separately. The parent and each subsidiary determine their functional currency, which is the currency of the primary economic environment in which the entity operates. Management reviewed the primary and secondary indicators in IAS 21, and determined the functional currency of each entity is Canadian dollar except for its United States subsidiaries which are in the United States dollar ("US$").

When the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into US dollars at the exchange rate in effect at the balance sheet date. Share capital, equity reserves, shares to be (cancelled) issued, accumulated other comprehensive income, and accumulated deficit are translated into US dollars at historical exchange rates. Revenues and expenses are translated into US dollars at the average exchange rate for the year. Foreign currency translation adjustment is included in other comprehensive income.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Cash

Cash is comprised of cash and highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value.

Restricted investments are excluded from cash.

Taxation

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

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statements of income and comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (continued)

Earnings (loss) per share

The basic earnings 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 earnings 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. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Property, plant and equipment

Property, plant and equipment other than land are carried at cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less 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 close down and restoration costs associated with the asset.

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

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 instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets

The Company classifies its financial assets into three categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

2. Significant accounting policies (continued)

Financial instruments (continued)

Amortized cost - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through other comprehensive income ("FVTOCI") – Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The cumulative fair value gains or losses recognized in OCI are reclassified to profit or loss when the asset is derecognized. An election may be made to classify an equity investment, that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

Fair value through profit and loss ("FVTPL") - Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

<u>Financial liabilities</u>

Under IFRS 9,financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

2. Significant accounting policies (continued)

Financial instruments (continued)

The Company's classification and measurements of financial assets and liabilities are summarized below:

Financial Instrument	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	Amortized cost
Marketable securities	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Restricted investments	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Liabilities directly associated with assets held for sale	Amortized cost	Amortized cost
Promissory notes payable	Amortized cost	Amortized cost
Convertible promissory notes payable	Amortized cost	Amortized cost
Derivative financial liabilities	FVTPL	FVTPL
Decommissioning liabilities	Amortized cost	Amortized cost

Allowance for expected credit losses

IFRS 9 provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate bad debt expenses. The Company assesses the lifetime expected credit loss related to its sales receivables and re-assesses the provision each reporting period. When measuring the expected credit loss, the Company considers a variety of factors including: evidence of the debtor's financial condition, the term of the receivable and any changes in economic conditions.

Impairment of tangible and intangible 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.

2. Significant accounting policies (continued)

Provisions

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 are estimated for 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 decommissioning liabilities are discounted using a risk-free rate. At the time of establishing the provision, a corresponding asset is capitalized within mineral property for amounts carried on the consolidated statements of financial position and expensed as the mineral property is analyzed.

The decommissioning liabilities are 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 provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Other provisions
Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted to the net present value using an appropriate current market-based pre-tax discount rate.

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

Under the Company’s stock option plan, all stock options granted have graded vesting period and exercisable three to five years from the date of grant. Each tranche of an award with graded vesting period is considered a separate grant at each vest date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures.

If a grant of the share based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested.

After vesting date, the Company makes no subsequent adjustment to total equity for goods or services received if the share options are later forfeited at the end of the share option's life.

2. Significant accounting policies (continued)

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.

Transaction Costs

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified as held for trading, in which case the incremental costs are expensed in the statements of income (loss) immediately.

Other comprehensive income

Other comprehensive income (loss) is the change in shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from foreign currency translation of foreign subsidiaries.

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, 2019 and June 30, 2018, 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:

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

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 this provision. Refer to note 14 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 fair value of share-based payments are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

Allowance for expected credit losses

IFRS 9 Financial instruments introduces an expected credit loss ("ECL") impairment model applicable to all debt instruments within financial assets classified as amortized cost or at fair value through other comprehensive income ("FVTOCI"), as well as certain off-balance sheet loan commitments. The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by: evaluating possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions. Prior to January 1, 2018, credit losses were recognized under an incurred loss model under IAS 39. The IFRS 9 ECL approach has three stages:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk since initial recognition, or that have low credit risk at the reporting date. An ECL equal to expected credit losses resulting from default events over the next 12 months is recognized and interest revenue is calculated on the assets' gross carrying amounts;

2. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Stage 2 – includes financial instruments that have had significant increase in credit risk since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An ECL equal to expected credit losses resulting from default events over the assets' lifetime ("lifetime ECL") is recognized and interest revenue is calculated on the assets' gross carrying amounts. In general, an asset's lifetime is considered to be its remaining contractual lifetime;

Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized and interest revenue is calculated on the assets' net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

New standards adopted

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9's key changes include but are not limited to eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. There was no material impact on the Company's condensed consolidated financial statements upon adoption of this standard, other than standard changes to classification as disclosed in note 2.

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. At July 1, 2018, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

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

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. The effective date of these amendments is yet to be determined, however early adoption is permitted.

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 does not expect IFRS 16 to have a significant impact on its consolidated financial statements.

3. 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 provide sufficient capital through flow-through share issues for exploration and development purposes on the Copperstone projects. All flow-through share proceeds must be spent on qualifying expenditures and by a specific point in time,
- 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 promissory notes payable, convertible promissory notes 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, 2019 amount to $15,025,187 (June 30, 2018 - $16,683,378). 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.

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, 2019.

(Expressed in Canadian Dollars)

4. Financial instruments

Fair value hierarchy

Fair value hierarchy - IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Marketable securities and restricted investments are marked-to-market at each period end and so the carrying amount also represents the fair value. Both are classified as level 1 financial instruments.

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

As at June 30, 2019	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 2,519	$ -	$ -
Restricted investments	1,067,876	-	-
Decommissioning liabilities	-	-	(2,271,222)
Derivative in convertible promissory note payable	-	(430,295)	-
	$ 1,070,395	**$ (430,295)**	**$ (2,271,222)**

As at June 30, 2018	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 2,519	$ -	$ -
Restricted investments	1,531,890	-	-
Decommissioning liabilities	-	-	(2,174,079)
Derivative in convertible promissory note payable	-	(208,739)	-
	$ 1,534,409	**$ (208,739)**	**$ (2,174,079)**

During the years ended June 30, 2019 and 2018, there were no transfers of amounts between fair value levels.

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 expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at June 30, 2019, 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.

4. Financial instruments (continued)

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, 2019, the Company had cash of $446,477 (June 30, 2018 - $1,035,247) to settle current financial liabilities of $697,666 (June 30, 2018 - $1,331,873). 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, 2019, due by year:

	2020	2021	Total
Accounts payable and accrued liabilities	$ 697,666	$ -	$ 697,666
Promissory notes payable	-	6,491,113	6,491,113
Convertible promissory notes payable	-	7,363,178	7,363,178
	$ 697,666	**$ 13,854,291**	**$ 14,551,957**

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, 2019, the Company held US$928,668 of monetary assets and held US$7,788,147 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 $342,974. 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.

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, 2019 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 $10,679 (June 30, 2018 - $15,100) increase in the interest earned on the investment.
- The Company has loans and borrowings as at June 30, 2019 with various fixed interest rates. Therefore, a percentage change in interest rates will not have a significant impact on the Company.

(Expressed in Canadian Dollars)

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

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 for the year ended June 30, 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;

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.

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

Mineral properties (Note 9)		
McGarry property	$	-
Barber Larder property		-
Total mineral properties classified as assets held for sale		-
Property and equipment (Note 8)		
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 14)		476,778
Liabilities directly associated with assets held for sale at June 30, 2018	**$**	**476,778**

The McGarry assets were sold to Orefinders Resources Inc., (“Orefinders”) (TSX-V:ORX), a Canadian based junior gold exploration company, for 8 million common shares of Orefinders; and 440,248 common shares of PowerOre Inc. (“PowerOre”) (TSXV: PORE), a battery metal focused company. The Company has divested all its interest in the McGarry assets to Orefinders and closed the transaction on August 15, 2018. The Company reimbursed Orefinders $435,160 for the security of decommissioning liabilities and paid legal fees of $74,927. The Orefinders and Power Ore common shares were valued at $553,020, and resulted in a $491,963 net gain on disposal of the McGarry assets.

In June 2019, the Company sold the 8 million common shares Of Orefinders and 440,248 common shares of Power Ore to Trans Oceanic Mineral Corporation Ltd., a company controlled by Fahad Al Tamimi (Kerr’s Chairman of the Board, a shareholder and creditor of Kerr), and resulted in a $148,994 net realized loss on sale of marketable securities.

(Expressed in Canadian Dollars)

6. Restricted investments

	As at June 30, 2019	As at June 30, 2018
Restricted investments		
Guaranteed investment certificates ("GIC") (1)	**$ -**	$ 457,405
Short-term cashable account (2)	**1,067,876**	1,074,485
Total	**$ 1,067,876**	$ 1,531,890

(1) Letters of credit are secured by the GIC investment as security for the decommission liabilities on the McGarry property (note 5). 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 22) the Company provided cash collateral of $1,067,876 or US$816,000 (June 30, 2018 - $1,074,485 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 9).

7. Receivables

	As at June 30, 2019	As at June 30, 2018
Harmonized sales taxes receivable	**$ 16,581**	$ 214,569
Other receivables	**204,032**	2,019
Total	**$ 220,613**	$ 216,588

The other receivables are mainly the receivable from the disposal of Orefinders and PowerOre to a related party (note 5) and has been fully received in July 2019.

(Expressed in Canadian Dollars)

8. Property, plant and equipment

Cost	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, 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)
Foreign exchange differences	38,422	20,618	22,181	894	131,854	213,969
Assets held for sale	(74,813)	(1,353,229)	(15,334)	(54,620)	-	(1,497,996)
Balance, June 30, 2018	2,552,059	560,925	1,554,096	61,495	5,722,287	10,450,862
Foreign exchange differences	80,598	(94,850)	229,083	(378)	(221,395)	(6,942)
Disposals	-	-	(406,329)	-	-	(406,329)
Balance, June 30, 2019	$ 2,632,657	$ 466,075	$ 1,376,850	$ 61,117	$ 5,500,892	$ 10,037,591

Accumulated depreciation	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, June 30, 2017	$ 55,104	$ 1,425,627	$ 27,938	$ 108,084	$ -	$ 1,616,753
Depreciation for the year	-	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, June 30, 2018	-	134,196	260,602	61,495	-	456,293
Depreciation for the year	-	94,279	359,787	-	-	454,066
Foreign exchange differences	-	3,011	5,484	(378)	-	8,117
Disposals	-	-	(144,776)	-	-	(144,776)
Balance, June 30, 2019	$ -	$ 231,486	$ 481,097	$ 61,117	$ -	$ 773,700

Carrying value	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, June 30, 2018	$ 2,552,059	$ 426,729	$ 1,293,494	$ -	$ 5,722,287	$ 9,994,569
Balance, June 30, 2019	$ 2,632,657	$ 234,589	$ 895,753	$ -	$ 5,500,892	$ 9,263,891

(Expressed in Canadian Dollars)

9. Mineral properties

The Company is engaged in exploring and developing the Copperstone gold property 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 US$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, 2019, 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.

10. Accounts payable and accrued liabilities

	As at June 30, 2019	**As at June 30, 2018**
Trade payables	**$ 319,942**	$ 722,470
Accrued liabilities	**377,516**	132,500
Payroll liabilities	**208**	125
Total	**$ 697,666**	$ 855,095

11. Promissory notes payable

	Promissory note (1)	**Promissory note (2)**	**Total**
Balance, June 30, 2017	$ 3,609,763	$ 2,000,000	$ 5,609,763
Accrued interest	247,020	136,863	383,883
Balance, June 30, 2018	3,856,783	2,136,863	5,993,646
Accrued interest	320,110	177,357	497,467
Balance, June 30, 2019	$ 4,176,893	$ 2,314,220	$ 6,491,113

(1) The promissory note with principal of $3,609,763 is payable to Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, an Officer, a director and shareholder of Kerr. The promissory note bears interest rate of 8% beginning in September 2017 and has a maturity date of August 22, 2020.

(2) Braydon Capital Corporation and Trans Oceanic Minerals Corporation Ltd. each provided promissory notes of $1,000,000 to the Company, bearing interest at 8% beginning in September 2017 and having a maturity date of August 22, 2020. The notes are secured by a general security agreement in the Copperstone Mine.

12. 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, 2020, interest rate of 8% per annum, compounded monthly and payable quarterly. 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. On November 28, 2018, the convertible promissory note was amended by extending the maturity date from August 22, 2019 to August 22, 2020.

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, 2020, interest rate of 8% per annum, compounded monthly and 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 feature was classified as derivative financial liabilities instead of an equity instrument. The Company separated the convertible promissory notes payable into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value.

On November 28, 2018, the convertible promissory note was amended by extending the maturity date from August 22, 2019 to August 22, 2020. As a result, the Company extinguished these two convertible promissory notes when they were amended on November 28, 2018 and threated them as two new convertible promissory notes with a maturity date of August 22, 2020. The Company calculated the fair value of the conversion feature and re-allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value.

Sprott note

The Company executed a term sheet with Sprott Private Resource Lending (Collector) LP (“Sprott”), setting out the indicative terms upon which Sprott is prepared, subject to certain conditions including satisfactory due diligence, to provide up to US$25 million of senior secured project financing (the “Financing Package”) to fund the development and production of gold at the Copperstone Mine.

The Highlights of the Financing Package include:

- ♦ $2,660,400 (US $2 million) senior redeemable convertible note (the "Sprott note") with an 9% coupon repayable on November 28, 2020;
- ♦ US $2 million senior gold loan facility repayable 18 months after closing (target completion on or about June 30, 2019 (“Phase 2”)).;
- ♦ US $21 million senior project loan facility repayable 48 months after closing;
- ♦ The Company will raise US $2 million in equity as working capital (see note 15(b)(iii)).

12. Convertible promissory notes payable (continued)

The holder of the Sprott note has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.16 per common share. In connection with the Sprott note, the Company issued to Sprott 1,000,000 common share purchase warrants (the "Sprott Warrants'). Each Sprott Warrant entitles the holder to purchase one Common Share at a price of Cdn$0.15 until November 27, 2021. The expiry of the Sprott Warrants can be accelerated at the Company's election if the trading price of the common shares is higher than 2.5 times the exercise price for 30 consecutive trading days.

Since the Sprott note is denominated in US dollar but is convertible into common shares based upon a Canadian dollar conversion rate, the fixed for fixed criteria is not met. As such, the conversion feature was classified as a financial derivative liability instead of an equity instrument. The warrants met the fixed for fixed criteria and was classified as an equity instrument. On the initial recognition, the face value of $2,660,400 were separated into three components. The Company calculated the fair value of the liability component as $2,553,722 using a discount rate of 12%, and the residual amount of $106,678 being the fair value of the equity (warrants). The fair value of the financial derivative liability (conversion feature) was estimated at $129,895 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 2.19%; volatility 103.25% and an expected life of 18 months.

Transaction costs of $151,148 were allocated to the debt components, equity components and derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction cost $6,061 was allocated to equity component, and was accounted for as a deduction from equity; $7,380 was allocated to the derivative financial liability component and was expensed; and $137,701 was allocated to the debt component and was offset against the carrying amount of the debt and included in the determination of the accretion expenses. $317,779 accretion expenses were included in finance charges.

The following table summarizes the debt component.

	Kerr debenture 1	Kerr debenture 2	Sprott note	Total
Balance, June 30, 2017	**$2,666,215**	**$1,111,146**		$3,777,361
Accrued interest	138,368	90,110	-	228,478
Accretion expenses		86,102		86,102
Foreign exchange difference	83,078	19,100		102,178
Balance, June 30, 2018	**2,887,661**	**1,306,458**	**-**	**4,194,119**
Issue of convertible debenture			2,660,400	2,660,400
Less transaction cost			(151,148)	(151,148)
Less fair value of conversion feature	(33,594)	(105,139)	(129,895)	(268,628)
Less fair value of detachable warrants			(72,347)	(72,347)
Accrued interest	243,969	117,162	118,569	479,700
Accretion expenses	13,064	141,340	163,375	317,779
Foreign exchange difference	(16,979)	(9,762)	(111,471)	(138,212)
Balance, June 30, 2019	**$3,094,121**	**$1,450,059**	**$2,477,483**	**$7,021,663**

(Expressed in Canadian Dollars)

13. Derivative financial liabilities

The following table summarizes the derivative financial liabilities (note 12):

	Kerr debenture 1	Kerr debenture 2	Sprott	Total
Balance, June 30, 2017	**-**	**$279,014**		**$279,014**
Fair value adjustment	-	(70,275)		(70,275)
Balance, June 30, 2018	**-**	**208,739**	**-**	**208,739**
Fair value adjustment		**(208,739)**		(208,739)
Derivative financial liabilities on initial recognition	33,594	105,139	129,895	268,628
Fair value adjustment	4,745	71,758	85,164	161,667
Balance, June 30, 2019	**$ 38,339**	**$176,897**	**$215,059**	**$430,295**

(Expressed in Canadian Dollars)

14. 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 asset retirement obligations is as follows:

Asset Retirement Obligation	Bear Lake (1)	McGarry (2)	Copperstone (3)	Total
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)
Foreign exchange differences	-	-	(23,689)	(23,689)
Classified as liability directly associated with assets held for sale	-	(476,778)	-	(476,778)
Balance, June 30, 2018	-	-	2,174,079	2,174,079
Accretion expense for the year	-	-	30,792	30,443
Foreign exchange differences	-	-	(13,722)	(13,373)
Adjustment	-	-	80,073	80,073
Balance, June 30, 2019	$ -	$ -	$ 2,271,222	$ 2,271,222

(1) Bear Lake

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 liability related to the Bear Lake property. The property was sold in 2016, and the liability was released in 2018.

(2) McGarry:

The decommissioning liability related to McGarry was estimated to be $476,778 to which the Company had provided a letter of credit as disclosed in (note 22) and was secured by GIC investment (note 6). This liability was released when McGarry property has been sold in August 2018 (note 5).

(3) Copperstone:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

i) Total undiscounted amount of future retirement costs was estimated to be $2,271,222 to which the Company has provided cash collateral as disclosed in (note 22).
ii) Risk-free rate at 1.41%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2022.
iv) Inflation over the period up to 2022 was estimated to be 1.73% per annum.

(Expressed in Canadian Dollars)

15. 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, 2017	226,609,403	$ 132,264,928
Common shares issued in private placement (i)	8,803,896	1,584,701
Common shares issued in private placement (ii)	20,371,869	6,111,564
Value allocated to warrants (i)	-	(320,810)
Transaction costs	-	(273,852)
Balance, June 30, 2018	255,785,168	$ 139,366,531
Common shares issued in private placement (iii)	21,239,409	2,973,518
Common shares issued in private placement (iv)	3,350,000	469,000
Value allocated to warrants (iii) (iv)	-	(1,009,508)
Transaction costs	-	(56,123)
Balance, June 30, 2019	280,374,577	$ 141,743,418

(i) On July 10, 2017 the Company closed the final tranche of a non-brokered private placement, by issuing 8,803,896 units at a price of $0.18 per unit, for gross proceeds of $1,584,701. 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. The fair value of the 4,401,948 share purchase warrants was estimated at $320,810 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.

(ii) 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.

(iii) On November 28, 2018, the Company closed a non-brokered private placement, by issuing 21,239,409 units at a price of $0.14 per unit, for gross proceeds of $2,973,518. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.21 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 $0.30, 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. The fair value of the 21,239,409 share purchase warrants was estimated at $869,826 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 2.19%; volatility 103.25% and an expected life of 24 months.

(Expressed in Canadian Dollars)

15. Share capital (continued)

b) Common shares issued (continued)

(iv) On April 15, 2019, the Company closed a non-brokered private placement, by issuing 3,350,000 units at a price of $0.14 per unit, for gross proceeds of $469,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.21 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 $0.30, 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. The fair value of the 3,350,000 share purchase warrants was estimated at $139,682 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.64%; volatility 102.19% and an expected life of 24 months.

16. 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, 2019 and June 30, 2018:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2017	4,000,000	$ 0.19
Issued (i)(ii)	5,880,000	0.25
Balance, June 30, 2018	9,880,000	$ 0.22
Issued (iii)(iv)(v)	4,000,000	0.13
Expired	(880,000)	(0.22)
Balance, June 30, 2019	13,000,000	$ 0.20

(i) 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%. The value of $677,529 was fully expensed to share-based payments in the year ended June 30, 2018.

(ii) 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%. The value of $513,770 was fully expensed to share-based payments in the year ended June 30, 2018.

(Expressed in Canadian Dollars)

16. Stock options (continued)

(iii) On November 28, 2018, the Company issued 500,000 stock options to an employee of the Company with an exercise price of $0.14. The options vest 200,000 immediately, 150,000 on May 24, 2019, and 150,000 on May 24 2020. The grant date fair value of $44,239 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 $0.12; 103.25% expected volatility; risk free interest rate of 2.19%; and an expected dividend yield of 0%. For the year ended June 30, 2019, $36,198 was expensed to share-based payments.

(iv) On January 29, 2019, the Company issued 500,000 stock options to a director of the Company with an exercise price of $0.14. The options vest immediately. The grant date fair value of $53,248 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 $0.14; 102.74% expected volatility; risk free interest rate of 1.84%; and an expected dividend yield of 0%. For the year ended June 30, 2019, the value of $53,248 was fully expensed to share-based payments.

(v) On April 15, 2019, the Company issued 3,000,000 stock options to a director of the Company with an exercise price of $0.13. The options vest immediately. The grant date fair value of $297,120 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 $0.13; 102.19% expected volatility; risk free interest rate of 1.64%; and an expected dividend yield of 0%. For the year ended June 30, 2019, the value of $297,120 was fully expensed to share-based payments.

The following table reflects the actual stock options issued and outstanding as of June 30, 2019:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	2.84	4,000,000	3,500,000
August 23, 2022	0.22	3.15	3,000,000	3,000,000
January 12, 2023	0.30	3.54	2,000,000	2,000,000
November 28, 2023	0.14	4.42	500,000	350,000
January 29, 2024	0.14	4.59	500,000	500,000
April 15, 2024	0.13	4.80	3,000,000	3,000,000
	0.22	3.60	13,000,000	12,350,000

The total value of options granted under the Company's option plan for the year ended June 30, 2019 was $394,607 (June 30, 2018 - $1,191,299). The weighted average grant date fair value of options granted during the year ended June 30, 2019 was $0.13 (year ended June 30, 2018 - $0.25.

(Expressed in Canadian Dollars)

17. Warrants

The following table reflects the continuity of warrants for the year ended June 30, 2019 and June 30, 2018:

	Number of warrants	Weighted average exercise price
Balance, June 30, 2017	17,820,269	$ 0.27
Issued (note 15(b)(i))	4,401,948	0.27
Balance, June 30, 2018, and June 30, 2018	**22,222,217**	**$ 0.27**
Issued (note 15(b)(iii)(iv))	24,589,409	0.21
Issued (note 12)	1,000,000	0.15
Expired	(17,820,269)	(0.27)
Balance, June 30, 2019	**29,991,357**	**$ 0.22**

The following table reflects the actual warrants issued as of June 30, 2019:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
4,401,948	320,810	0.27	July 10, 2019
21,239,409	869,826	0.21	November 28, 2020
3,350,000	139,682	0.21	April 15, 2021
1,000,000	72,347	0.15	November 28, 2021
29,991,357	1,402,665	0.22	

18. Exploration and Evaluation Expenditures

	Year Ended June 30, 2019	Year Ended June 30, 2018
McGarry property	**$ -**	$ -
Copperstone property	**6,075,916**	8,228,729
	$ 6,075,916	$ 8,228,729

19. 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, representing the discount from the face value of the debt.

20. Loss per share

For the year ended June 30, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $9,686,055 (year ended June 30, 2018 - $11,568,135) and the weighted average number of common shares outstanding of 268,993,587 (year ended June 30, 2018 - 246,223,138) 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.

(Expressed in Canadian Dollars)

21. 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.

(a) Loans from related parties

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

		June 30, 2019	
Loans from related parties	**Officers**	**Directors**	**Total**
Promissory notes payable (note 11)	$ -	$ 6,491,113	$ 6,491,113
Convertible promissory notes payable (note 12)	-	4,551,281	4,551,281
Derivative financial liabilities (note 12)	-	215,236	215,236
Total	**$ -**	**$ 11,257,630**	**$ 11,257,630**

		June 30, 2018	
Loans from related parties	**Officers**	**Directors**	**Total**
Promissory notes payable (note 11)	$ 4,925,514	$ 1,068,432	$ 5,993,646
Convertible promissory notes payable (note 12)	-	4,194,119	4,194,119
Derivative financial liabilities (note 12)	-	208,739	208,739
Total	$ 4,925,214	$ 5,471,290	$ 10,396,504

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

		Year Ended June 30,	
		2019	**2018**
Marrelli Group	(i)	**$ 59,892**	$ 44,678
Peterson McVicar LLP ("Peterson")	(ii)	**127,898**	109,449
Silvergate Consulting	(iii)	**50,000**	120,000
Braydon Capital Corporation ("Braydon")	(iv)	**408,789**	315,452
Trans Oceanic Minerals Corporation ("TOMC")	(v)	**449,810**	340,745

i) During the year ended June 30, 2019 the Company paid professional fees and disbursements of $59,892, (year ended June 30, 2018 - $44,678) to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filling Services Limited, together known as the "Marrelli Group", for:

- Carmelo Marrelli, President of Marrelli Group, to act as the Chief Financial Officer ("CFO") of the Company;
- Bookkeeping services;
- Regulatory filing services; and
- Corporate secretarial services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at June 30, 2019, the Marrelli Group was owed $11,235 (June 30, 2018 - $7,700).

ii) A director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued to the firm relating to services provided in the normal course during the year ended June 30, 2019 was $127,898 (year ended June 30, 2018 - $109,449). The amounts owing to the firm as at June 30, 2019 was $13,311 (June 30, 2018 - $nil).

(Expressed in Canadian Dollars)

21. Related party transactions (continued)

(b) Transactions (continued)

iii) During the year ended June 30, 2019 the Company expensed consulting fees to Silvergate Consulting, a company controlled by a director of the Company, to provide capital markets and investor relations services to the Company. The amounts paid or accrued to the firm relating to the services provided in the normal course of business for the year ended June 30, 2019, $50,000, (year ended June 30, 2018 - $120,000). As at June 30, 2019, the company was owed $nil (June 30, 2018 - $60,000).

iv) During the year ended June 30, 2019, the Company accrued interest to Braydon for the promissory notes payable (note 11).

v) During the year ended June 30, 2019, the Company accrued interest to TOMC for the promissory notes payable (note 11) and convertible promissory notes payable (note 12)

vi) Insiders of the Company subscribed for 6,846,444 Units of the issued 21,239,409 units at a price of $0.14 per unit (see note 15(b)(iii)) and to 3,350,000 Units of the issued 3,350,000 units at a price of $0.14 per unit (see note 15(b)(iv))

vii) During the year ended June 30, 2019, the Company sold the shares of Orefinders and PowerOre to Braydon and TOMC for $404,026. As at June 30, 2019, the amount of $202,013 is due to the Company by TOMC related to the sale of these shares.

(c) Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Salaries and benefits	**$ 369,669**	$ 387,140
Consulting fee	**72,917**	-
Share-based payment	**438,659**	1,451,725
	$ 881,245	$ 1,838,865

The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

22. Commitments and contingencies

(a) The Company had a letter of credit outstanding as at June 30, 2018 of $457,405) which is supported by the restricted investments (note 6). This was transferred with the sale of the property (note 5).

(b) The Company has placed a surety bond of an insurance company in connection with the Copperstone Property as required by the US Bureau of Land Management. Cash collateral of $1,067,876 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account.

(c) 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)

23. 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, 2019 and 2018 is as follows:

	June 30, 2019	June 30, 2018
Loss before income taxes	$ (9,038,354)	$(11,568,135)
Combined statutory rate	26.5%	25%
Estimated recovery of income taxes	$ (2,395,000)	$ (2,892,000)
Non-deductible expenditures	126,000	(18,000)
Share issue costs	(72,000)	(61,000)
Foreign tax rate differential	831,000	1,210,000
Deferred tax asset not recognized	1,469,000	1,761,000
Deferred income tax expense (recovery)	**$ (41,000)**	**$ -**

The Canadian statutory income tax rate of 25% (2018 – 25%) is comprised of the federal income tax rate at approximately 15% 2018 – 15%) and the provincial income tax rate of approximately 10% (2018 – 10%).

The primary differences which give rise to the deferred income tax assets (liability) as at June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Deferred income tax assets (liability)		
Non-capital loss carry forwards	$ 23,829,000	$ 20,619,000
Pre-production investment tax credit	2,625,666	2,625,000
Other timing differences	(2,474,000)	(2,414,000)
Resource expenditures	39,204,000	39,204,000
Net capital losses	(216,000)	(406,000)
	62,968,000	59,628,000
Deferred tax asset not recognized	(62,968,000)	(59,628,000)
Deferred income tax assets (liabilities)	**$ -**	**$ -**

As at June 30, 2019, the unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $nil (2018 - $406,000) and will be deductible over the next four years.

As at June 30, 2019, the Company has $nil 2018 - $133,077,000) 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, 2018, which can be utilized to be deducted against future resource profits.

As at June 30, 2019, the Company has $nil (2018 - $2,413,000) of certain Investment Tax Credits that can be used to offset future taxes payable.

As at June 30, 2019, the Company has Canadian loss carry-forwards of approximately $nil (2018 - $43,304,000) and US tax loss carry forwards of approximately $nil (2018 - $19,708,000). These non-capital losses can be used to offset future taxable income and begin to expire in 202X. The Company also has Canadian capital loss carryforwards of approximately $nil (2018 - $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)

23. Income taxes (continued)

Deferred taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities are presented below.

The Sprott note (note 12) has been separated into liability and equity components on its initial recognition. The tax base of the convertible debenture on initial recognition is its face value, and resulted in a taxable temporary difference arising from the equity components. Consequently, the Company recognized the deferred tax liability, which is charged directly to the carrying amount of the equity components.

The interest accretion expense increased the carrying value of liability component and reduced the temporary difference, and then reduced the carrying value of deferred tax liabilities. The convertible debenture extension increased the taxable temporary difference and deferred tax liability again.

The following table summarizes the deferred income tax liabilities arising from Sprott note:

Balance, June 30, 2018	**-**
Arising from convertible fiancial liabilities	66,718
Deferred tax recovery due to accretion expenses	(25,946)
Balance, June 30, 2019	**40,772**

24. Segmented information

As at June 30, 2019, the Company's operations comprises of a mineral exploration and development project in La Paz County, Arizona ("USA") which also represent geographical location, a head office in Toronto, Canada.

Year Ended June 30, 2019

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (1,981,231)	$ (7,021,700)	$ (9,012,408)

Year Ended June 30, 2018

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

As at June 30, 2019

	Canada	USA	Total
Total assets	$ 625,552	$ 17,839,590	$ 18,465,142
Non-current assets	$ -	$ 17,602,232	$ 17,602,232

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

25. Subsequent events

i) On July 2, 2019, the Company issued 724,177 shares to Sprott for semi-annually interest payment.

ii) On August 6, 2019, Sprott converted $500,000 of the convertible debt into 4,130,313 common shares.

iii) On September 6, 2019 2,200,000 options were exercised at an exercise price of $0.13.