KERR MINES INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019
(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, 2020 and 2019, 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, 2020 and 2019, 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 Julia Zhou.

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
September 24, 2020

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

	As at June 30, 2020	As at June 30, 2019
ASSETS		
Current assets		
Cash	**$ 378,331**	$ 446,477
Marketable securities	**2,519**	2,519
Accounts receivable (note 6)	**63,368**	220,613
Prepaid expenses and other assets	**253,649**	193,301
Total current assets	**697,867**	862,910
Non-current assets		
Restricted investments (note 5)	**1,146,909**	1,067,876
Property, plant and equipment (note 8)	**9,078,808**	9,263,891
Right-of-use assets (note 7)	**83,410**	-
Mining properties (note 9)	**7,270,466**	7,270,465
Total assets	**$ 18,277,460**	$ 18,465,142
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**$ 1,199,122**	$ 697,666
Convertible promissory notes payable – current portion (note 13)	**2,522,859**	-
Derivative financial liabilities – current portion (note 14)	**96,170**	-
Lease liability (note 11)	**28,988**	-
Total current liabilities	**3,847,139**	697,666
Non-current liabilities		
Promissory notes payable (note 12)	**7,031,402**	6,491,113
Convertible promissory notes payable (note 13)	**5,153,264**	7,021,663
Derivative financial liabilities (note 14)	**112,616**	430,295
Lease liability (note 11)	**31,072**	-
Other loan	**212,869**	-
Deferred tax liabilities (note 22)	**35,394**	40,772
Decommissioning liabilities (note 15)	**2,530,645**	2,271,222
Total liabilities	**18,954,401**	16,952,731
Equity		
Share capital (note 16)	**145,408,462**	141,743,418
Contributed surplus	**13,457,711**	13,064,554
Share-based payments reserve (note 17)	**2,900,587**	2,017,768
Warrant reserve (note 18)	**1,787,237**	1,402,665
Accumulated other comprehensive income	**163,870**	594,297
Deficit	**(164,394,808)**	(157,310,291)
Total equity	**(676,941)**	1,512,411
Total liabilities and equity	**$ 18,277,460**	$ 18,465,142

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 21)
Subsequent events (note 24)

Approved on behalf of the Board:

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

Kerr Mines Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended June 30, 2020	Year Ended June 30, 2019
Operating expenses		
Exploration and evaluation expenditures	**$ 3,887,727**	$ 6,075,916
General and administrative	**58,853**	40,342
Depreciation (note 8)	**402,523**	454,066
Salaries and benefits	**6,602**	6,832
Consulting fees (note 20)	**386,540**	137,547
Professional fees (note 20)	**206,492**	214,195
Promotion and travel	**49,420**	46,443
Shareholder relations	**158,148**	177,968
	(5,156,306)	(7,153,309)
Loss on disposal of other assets	**(171,105)**	(439,598)
Gain on disposal of mineral properties	**-**	491,963
Realized loss on marketable securities	**-**	(148,994)
Finance charges	**(1,667,691)**	(1,324,530)
Fair value adjustment of derivative financial liabilities	**468,524**	47,072
Interest and other revenue	**34,952**	11,327
Gain (loss) on foreign exchange	**457,392**	(47,429)
Share-based payments (note 17)	**(1,100,707)**	(474,856)
Loss before income taxes	**(7,134,942)**	(9,038,354)
Income tax recovery - deferred	**50,425**	25,946
Net loss for the year	**$ (7,084,517)**	$ (9,012,408)
Other comprehensive income (loss)		
Foreign exchange difference	**(430,427)**	95,608
Total comprehensive loss for the year	**$ (7,514,944)**	$ (8,916,800)
Basic and diluted net loss per share (note 19)	**$ (0.02)**	$ (0.03)
Weighted average number of common shares outstanding	**294,299,255**	268,993,587

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, 2020	Year Ended June 30, 2019
Operating activities		
Net loss for the year	**$ (7,084,517)**	$ (9,012,408)
Adjustments for:		
Depreciation	**402,523**	454,066
Accretion expense	**596,548**	317,779
Accrued interest	**848,475**	-
Interest on lease liability	**3,816**	-
Fair value adjustment on derivative liability	**(468,524)**	(47,072)
Interest income	**(34,374)**	-
Realized loss on marketable securities	**-**	148,994
Gain on disposal of mineral properties	**-**	(491,963)
Loss on disposal of other assets	**171,105**	439,598
Share-based payments	**1,100,707**	474,856
Accretion expenses in decommissioning liabilities	**9,690**	-
Change in decommissioning liabilities	**155,844**	91,977
Deferred tax recovery	**(50,425)**	(25,946)
Changes in non-cash working capital items:		
Accounts receivable	**157,245**	(4,025)
Prepaid expenses and other assets	**(60,348)**	(51,374)
Accounts payable and accrued liabilities	**501,456**	157,429
Net cash used in operating activities	**(3,750,779)**	(7,548,089)
Investing activities		
Proceeds from sale of marketable securities	**-**	404,026
Net cash provided by investing activities	**-**	404,026
Financing activities		
Issuance of common shares and warrants, net of transaction costs	**3,109,455**	3,386,395
Proceeds from convertible note payable, net of transaction costs	**632,940**	2,509,252
Proceeds from options exercised	**275,000**	-
Release of restricted cash	**-**	464,014
Lease payment	**(40,848)**	-
Other loans	**212,869**	-
Net cash provided by financing activities	**4,189,416**	6,359,661
Net change in cash	**438,637**	(784,402)
Effect of exchange rate changes on cash	**(506,783)**	195,632
Cash, beginning of year	**446,477**	1,035,247
Cash, end of year	**$ 378,331**	$ 446,477

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

Kerr Mines Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Reserves					
	Shares capital	Contributed surplus	Share-based payments reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, June 30, 2018	**$139,366,531**	**$ 10,531,788**	**$ 1,696,579**	**$ 2,699,910**	**$ 498,689**	**$(148,297,883)**	**$ 6,495,614**
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 debenture	-	-	-	72,347	-	-	72,347
Share-based payments	-	-	474,856	-	-	-	474,856
Stock-options expired	-	153,666	(153,666)	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	95,608	(9,012,408)	(8,916,800)
Balance, June 30, 2019	**$141,743,418**	**$ 13,064,554**	**$ 2,017,768**	**$ 1,402,665**	**$ 594,297**	**$(157,310,291)**	**$ 1,512,411**
Shares issued for interest	116,815	-	-	-	-	-	116,815
Conversion of convertible promissory notes	660,850	-	-	-	-	-	660,850
Shares issued in private placement	3,207,888	-	-	-	-	-	3,207,888
Share issue cost	(98,433)	-	-	-	-	-	(98,433)
Warrants expired	-	393,157	-	(393,157)	-	-	-
Warrants issued with shares	(714,964)	-	-	714,964	-	-	-
Warrants issued with convertible debenture	-	-	-	62,765	-	-	62,765
Stock options exercised	492,888	-	(217,888)	-	-	-	275,000
Share-based payments	-	-	1,100,707	-	-	-	1,100,707
Net loss and comprehensive loss for the year	-	-	-	-	(430,427)	(7,084,517)	(7,514,944)
Balance, June 30, 2020	**$145,408,462**	**$ 13,457,711**	**$ 2,900,587**	**$ 1,787,237**	**$ 163,870**	**$(164,394,808)**	**$ (676,941)**

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 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, 2020, the Company had working capital deficit of $3,149,272 (June 30, 2019 – working capital of $165,244). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a loss of $7,084,517 for the year ended June 30, 2020 (2019 - loss of $9,012,408) and has an accumulated deficit of $164,394,808 as at June 30, 2020, (June 30, 2019 - $157,310,291), 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

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, 2020, the Company is in the process of advancing the Copperstone Mine project to production. The continued operations of the Company and the amounts recoverable on the properties are dependent upon the ability of the Company to obtain the financing to continue the Company’s current focus of maximizing Copperstone’s potential by defining and expanding current resources and strengthening the mine’s economics leading to project financing and a production decision.

2. Significant accounting policies

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries and have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). All significant intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements have been presented in Canadian dollars ("CAD"), except where otherwise indicated.

The consolidated financial statements were approved for issue by the Board of Directors on September 24, 2020.

2. Significant accounting policies (continued)

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.

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, 2020.

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.

2. Significant accounting policies (continued)

Mineral properties (continued)

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.

Foreign currencies

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.

2. Significant accounting policies (continued)

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.

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;

<u>Straight-line basis</u>
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
Right of use asset (leases)	Term of lease

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.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

<u>Financial assets</u>
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:

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 FVTOCI 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.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities
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.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash	Amortized cost
Accounts receivable	Amortized cost
Marketable securities	FVTPL
Restricted investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory notes payable	Amortized cost
Convertible promissory notes payable	Amortized cost
Other loan	Amortized cost
Decommissioning liabilities	Amortized cost
Lease liability	Amortized cost
Derivative financial liabilities	FVTPL

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.

2. Significant accounting policies (continued)

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived 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 loss 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.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of the asset, and reverse the impairment loss recognized in prior periods. The reversal of an impairment loss will not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Provisions

<u>Decommissioning liabilities</u>
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.

<u>Other provisions</u>
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.

2. Significant accounting policies (continued)

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 recognised 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.

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.

2. Significant accounting policies (continued)

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 FVTPL, 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.

Judgments:
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, 2020 and June 30, 2019, 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 15 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. 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;

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;

2. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Estimates (continued)

Allowance for expected credit losses (continued)

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 in the current year

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements, except as described below.

IFRS 16 – Leases
The Company adopted IFRS 16 – Leases ("IFRS 16") On July 1, 2019. The Company has applied IFRS 16 using the modified retrospective approach, under which the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings. Additionally, the Company has elected not to recognize right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets.

The following are the significant accounting policies which have been amended as a result of IFRS 16, and applied at July 1, 2019:

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Lease obligations
The Company recognized lease obligation and right-of-use asset for its leased equipment at the date of adoption of IFRS 16. The lease obligation is measured at the present value of the remaining lease payments as of July 1, 2019, discounted using the interest rate implicit in the lease terms. If that rate cannot be readily determined, the Company will use its incremental borrowing rate. On July 1, 2019, The Company recognized the lease obligation of $78,551 for its equipment lease by discounting the lease payments of $87,036 at the implicit interest rate of 7%.

The Lease term determined by the Company comprises:

- The non-cancellable period of lease contracts, including a rent-free period if applicable;
- Periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option;
- Periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

For leases entered into after July 1, 2019, the commencement date of the lease begins on the date on which the lessor makes the underlying asset available for use to the Company. Lease payments included in the measurement of the lease obligation are comprised of the following:

- Fixed lease payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price of purchase options that the Company is reasonably certain to exercise;

2. Significant accounting policies (continued)

New standards adopted in the current year (continued)

IFRS 16 – Leases (continued)

- Lease payments in an option renewal period if the Company is reasonably certain to exercise the extension option;
- Penalties for early termination of the lease unless the Company is reasonably certain not to terminate early; and
- Less any lease incentives receivable;

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease obligations. The variable payments are recognized as an expense in the period in which they are incurred. The Company accounts for any leases and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. The Company records non-lease components such as an expense in the period in which they are incurred.

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is remeasured whenever a lease contract is modified, and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

Right-of-use assets
At July 1, 2019, the right-of-use asset have been initially calculated at an amount equal to the initial value of the lease obligation. There is no impact on retained earnings. For leases entered into, on or after July 1, 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company;
- An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the Company has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

The right-of-use assets will be depreciated using the straight-line from the date of adoption to the earlier of the end of the useful life of the asset or the end of the lease term as determined under IFRS 16. For leases entered into after July 1, 2019, the right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent liabilities and Contingent assets.

2. Significant accounting policies (continued)

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.

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

The Company has loans payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at June 30, 2020 amount to $14,030,584 (June 30, 2019 -$15,025,187). 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.

The directors of the Company review the capital structure from time to time. As part of this review, the directors considered the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through issue of new shares, new debt or the redemption or extension of existing debt.

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

4. Financial instruments (continued)

Fair value hierarchy (continued)

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. There was no movement between different levels for the year ended June 30, 2020 and 2019.

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

The fair value of the derivative financial liability (conversion feature) was estimated by using Black-Scholes pricing model with the assumptions and was classified as level 2 financial instruments.

The fair value of accounts receivable, restricted investments, accounts payable and accrued liabilities, promissory notes payable, convertible promissory notes payable, other loan, lease liability and decommissioning liabilities approximates their carrying values due to their short-term nature.

Credit risk

The Company's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, totals the carrying amount of these assets as stated in the consolidated statements of financial position.

The Company's principal financial assets are cash, restricted investments and accounts receivable, which represent the Company's exposure to credit risk in relation to financial assets.

The credit risk on cash and restricted investments is mitigated by transacting with banks with high credit ratings assigned by international credit-rating agencies.

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, 2020 and 2019, there were no receivables past due.

Interest rate risk

The interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its promissory notes payable and convertible promissory notes payables.

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, 2020, the Company had cash of $378,331 (June 30, 2019 - $446,477) to settle current financial liabilities of $3,750,969 (June 30, 2019 - $697,666). 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.

4. Financial instruments (continued)

Liquidity risk (continued)

The following table details the Company's contractual maturities for its financial liabilities as at June 30, 2020 and 2019, due by year:

As at June 30, 2020	Carrying amount	Contractual cash flow	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	$ 1,199,122	$1,199,122	$1,199,122	$ -	$ -
Promissory notes payable	7,031,402	7,031,402	-	7,031,042	-
Convertible promissory notes	7,676,123	7,943,230	2,725,600	5,217,630	-
Lease liability	60,060	64,884	32,442	32,442	-
Other loan	212,869	212,869	-	212,869	-
Decommissioning liabilities	2,530,645	2,530,645	-	-	2,530,645
	$ 18,710,221	**$ 18,982,152**	**$ 3,957,164**	**$ 12,494,343**	**$ 2,530,645**

As at June 30, 2019	Carrying amount	Contractual cash flow	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	$ 697,666	$697,666	$697,666	$ -	$ -
Promissory notes payable	6,491,113	6,491,113	-	6,491,113	-
Convertible promissory notes	7,021,663	7,363,177	-	7,363,177	-
Decommissioning liabilities	2,271,222	2,271,222	-	-	2,271,222
	$ 16,481,664	**$ 16,823,178**	**$697,666**	**$ 13,854,290**	**$ 2,271,222**

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, 2020, the Company held US$931,564 of monetary assets and held US$10,805,199 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 $6,996. 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, 2020 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 $11,469 (2019 - $10,679) increase in the interest earned on the investment.
- The Company has loans and borrowings as at June 30, 2020 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. Restricted investments

	As at June 30, 2020	As at June 30, 2019
Restricted investments		
Short-term cashable account	**$ 1,146,909**	$ 1,067,876
Total	**$ 1,146,909**	$ 1,067,876

Pursuant to the term of the surety bond disclosed in (note 21) the Company provided cash collateral of $1,146,909 or US$816,000 (June 30, 2019 - $1,067,876 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).

6. Accounts receivable

	As at June 30, 2020	As at June 30, 2019
HST receivable	**$ 23,291**	$ 16,581
Accounts receivable	**40,077**	204,032
Total	**$ 63,368**	$ 220,613

7. Right-of-use assets

The Company recognized the right-of-use asset for its mobile equipment as following:

Balance, June 30, 2019	**$ -**
Additions	108,494
Depreciation for the year	(27,391)
Foreign exchange movements	2,307
Balance, June 30, 2020	**$ 83,410**

Mobile equipment is depreciated over 36 months.

(Expressed in Canadian Dollars)

8. Property, plant and equipment

Cost	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2018	**$ 2,552,059**	**$ 560,925**	**$ 1,554,096**	**$ 61,495**	**$ 5,722,287**	**$ 10,450,862**
Disposals	-	-	(406,329)	-	-	(406,329)
Foreign exchange differences	80,598	(94,850)	229,083	(378)	(221,395)	(6,942)
Balance, June 30, 2019	**2,632,657**	**466,075**	**1,376,850**	**61,117**	**5,500,892**	**10,037,591**
Disposals	-	-	(385,043)	-	-	(385,043)
Foreign exchange differences	108,831	19,267	51,153	2,527	227,400	409,178
Balance, June 30, 2020	**$ 2,741,488**	**$ 485,342**	**$ 1,042,960**	**$ 63,644**	**$ 5,728,292**	**$ 10,061,726**

Accumulated depreciation	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2018	**$ -**	**$ 134,196**	**$ 260,602**	**$ 61,495**	**$ -**	**$ 456,293**
Depreciation for the year	-	94,279	359,787	-	-	454,066
Disposals	-	-	(144,776)	-	-	(144,776)
Foreign exchange differences	-	3,011	5,484	(378)	-	8,117
Balance, June 30, 2019	**-**	**231,486**	**481,097**	**61,117**	**-**	**773,700**
Depreciation for the year	-	95,632	279,500	-	-	375,132
Disposals	-	-	(200,511)	-	-	(200,511)
Foreign exchange differences	-	11,001	21,069	2,527	-	34,597
Balance, June 30, 2020	**$ -**	**$ 338,119**	**$ 581,155**	**$ 63,644**	**$ -**	**$ 982,918**

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
Balance, June 30, 2020	**$ 2,741,488**	**$ 147,223**	**$ 461,805**	**$ -**	**$ 5,728,292**	**$ 9,078,808**

(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. ("Trans Oceanic"), 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. Sunsequent June 30, 2020, the Company entered into an agreement to acquire a 3% royalty from TOMCL, which will reduce the aggregate Royalty on the Copperstone Gold Mine from 6% to 3% (see note 24).

All required property payments were made with respect to the Copperstone Project as of June 30, 2020, 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, 2020	As at June 30, 2019
Trade payables	**$ 966,306**	$ 319,942
Accrued liabilities	**232,536**	377,516
Payroll liabilities	**280**	208
Total	**$ 1,199,122**	$ 697,666

11. Lease liability

On September 1, 2019, the Company entered into a thirty-six months lease agreement for a mobile equipment. The total lease payments of $87,036 has been discounted at the implicit interest rate of 7% and resulted present value of $78,551. Under the lease agreement, the Company is required to pay a quarterly payment of $8,111.

The following table represents the lease obligation for the Company:

	Total
Balance, June 30, 2019	**$ -**
Additions	78,551
Interest expense	3,816
Lease payments	(24,332)
Foreign exchange movements	2,025
Balance, June 30, 2020	**$ 60,060**

(Expressed in Canadian Dollars)

11. Lease liability (continued)

Allocated as:

	As at June 30, 2020	As at June 30, 2019
Current	**28,988**	-
Long-term	**31,072**	-
Total	**60,060**	-

The following table presents the contractual undiscounted cash flows for lease obligation as at June 30, 2020:

Less than one year	$ 32,442
One to two years	32442
Total undiscounted lease obligation	**$ 64,884**

12. Promissory notes payable

	Promissory note (1)	Promissory note (2)	Total
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**
Accrued interest	347,664	192,625	540,289
Balance, June 30, 2020	**$ 4,524,557**	**$ 2,506,845**	**$ 7,031,402**

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. During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021.
2) Braydon and Trans Oceanic 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. During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021.

13. Convertible promissory notes payable

Kerr debenture I

The Company has a convertible promissory note in the amount of $2,660,668 (US$2,054,570) ("Kerr debenture I") payable to Trans Oceanic. The Kerr Debenture I had a maturity date of August 22, 2019, 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.

13. Convertible promissory notes payable (continued)

Kerr debenture II

The Company has a convertible promissory note in the amount of $1,295,000 (US$1,000,000) ("Kerr debenture II") payable to Trans Oceanic. The Kerr Debenture II had a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly, payable quarterly. The interest will not accrue and will not payable until August 22, 2017. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.065 per common share.

The conversion feature of a convertible financial instrument is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32 - Financial Instruments: Presentation. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed"). Both Kerr debenture I and Kerr debenture II 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 due to the change of foreign exchange rate. As such, the conversion features were classified as derivative financial liabilities instead of an equity instruments. The Company separated the convertible promissory notes payable into two components with the conversion feature recorded as derivative financial lability and carried at fair value by using Black-Scholes pricing model. The carrying amount of the debt component, on initial recognition, was calculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liability. Subsequently, the derivative financial liability was re-measured at fair value at the end of each reporting period with the changes in fair value recognized in the consolidated statements of loss while the debt component was accreted to the face value of the debt using the effective interest method.

On November 28, 2018, the Kerr debenture I and II convertible promissory notes were amended by extending the maturity date from August 22, 2019 to August 22, 2020. The maturity date was extended to January 20, 2021 and then again to August 22, 2021. Since the modification substantially changed the terms of financial liabilities and the Company treated each modification as an extinguishment of the original financial liabilities and recognition of new financial liabilities. The Company recalculated the fair value of the conversion feature and separated the convertible promissory notes payables into two components, with the debt component carried at amortized cost, and the conversion feature carried as derivative financial liabilities at fair value for each modification.

Sprott convertible note

On November 6, 2018, 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 meeting prescribed project milestones 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:

- US$2 million senior redeemable convertible note (the "Note") with an 9% coupon repayable 18 months after closing (received of which US$500,000 was converted at $0.16 for 4,130,313 commons shares);
- 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.

13. Convertible promissory notes payable (continued)

Sprott convertible note (continued)

On November 28, 2018, the Company closed the $2,660,400 (US$2 million) ("Sprott Note I") financing. The Sprott Note I has a maturity date of May 31, 2020, interest rate of 9% per annum, compounded and payable semi-annually. The Sprott Note I is convertible into Common Shares at any time prior to maturity at a conversion price of CDN$0.16 per share. The Corporation can redeem the Sprott Note I at any time by paying the outstanding principal amount and accrued interest in cash, or with the agreement of the holder, in common shares of the Corporation. In connection with the Sprott Note I, the Corporation issued to Sprott one million common share purchase warrants ("Sprott Warrants I") entitling the holder to purchase one common share at a price of CDN$0.15 until November 27, 2021, subject to acceleration.

Since the Sprott Note I 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 (Sprott Warrants I). 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; and $145,087 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. $163,375 accretion expenses were included in finance charges.

On July 2, 2019, the Company issued 724,177 shares to Sprott as the interest payment of $116,815 (Note 16 (b) (iii)). On August 6, 2019, Sprott elected to convert $660,850 (US$500,000) of Sprott Note I into 4,130,313 common shares of the Company (Note 16 (b) (iv)). On March 20, 2020, the maturity date of Sprott Note I was extended to May 31, 2021 and the expiry date of the Sprott Warrants I was extended to November 28, 2023 (Note18). The original residual amount of $106,678 assigned to Sprott Warrants I has been moved from warrant reserve to contributed surplus.

The Company treated the modification as an extinguishment of the original financial liabilities and recognition of new financial liabilities. The Company recalculated the fair value of liability component, Sprott Warrants I, and derivative liabilities. The fair value of the financial derivative liability (conversion feature) was estimated at $46,206 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months.

(Expressed in Canadian Dollars)

13. Convertible promissory notes payable (continued)

Sprott convertible note (continued)

On March 20, 2020, the Company received an additional $716,600 (US$500,000) convertible note ("Sprott Note II") from Sprott. The Sprott Note II has a maturity date of May 31, 2021, interest rate of 9% per annum, compounded and payable semi-annually. The Sprott Note II is convertible into Common Shares at any time prior to maturity at a conversion price of CDN$0.13 per share. The Corporation can redeem the Sprott Note II at any time by paying the outstanding principal amount and accrued interest in cash, or with the agreement of the holder, in common shares of the Corporation. In connection with the Sprott Note II, the Company issued to Sprott an additional 650,000 common share purchase warrants ("Sprott Warrants II"). Each Sprott Warrant II entitles the holder to purchase one Common Share at a price of $0.13 until November 28, 2023 (Note18).

The warrants met the fixed for fixed criteria and was classified as an equity instrument and the residual amount of $13,745 being the fair value of the equity (Sprott Warrants II). The fair value of the financial derivative liability (conversion feature) was estimated at $20,355 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months. Transaction costs of $83,660 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 $2,595 was allocated to equity component, and was accounted for as a deduction from equity; and $81,065 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.

The following table summarizes the debt component:

	Kerr debenture I	Kerr debenture II	Sprott note I	Sprott note II	Total
Balance, June 30, 2018	**$ 2,887,661**	**$ 1,306,458**	**$ -**	**$ -**	**$ 4,194,119**
Issue of convertible debt	-	-	2,660,400	-	2,660,400
Less transaction cost	-	-	(151,148)	-	(151,148)
Less fair value on convertible 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**
Less converting of loan	-	-	(777,665)	-	(777,665)
Issue of convertible debt	-	-	-	716,600	716,600
Less transaction cost	-	-	-	(83,660)	(83,660)
Less fair value on convertible feature	(2,512)	(177,942)	(46,206)	(20,355)	(247,015)
Less fair value of detachable warrants	-	-	(49,020)	(13,745)	(62,765)
Less deferred tax	-	-	(17,674)	(27,373)	(45,047)
Interest paid	-	-	(204,708)	-	(204,708)
Accrued interest	263,560	128,280	204,708	-	596,548
Accretion expense	21,926	178,943	280,925	31,100	512,894
Foreign exchange difference	131,280	65,549	87,649	(35,200)	249,278
Balance, June 30, 2020	**$ 3,508,375**	**$ 1,644,889**	**$ 1,955,492**	**$ 567,367**	**$ 7,676,123**
Components of convertible promissory notes payable:					
Current	$ -	$ -	$ 1,955,492	$ 567,367	$ 2,522,859
Long term	$ 3,508,375	$ 1,644,889	$ -	$ -	$ 5,153,264
Total balance	**$ 3,508,375**	**$ 1,644,889**	**$ 1,955,492**	**$ 567,367**	**$ 7,676,123**

(Expressed in Canadian Dollars)

14. Derivative financial liabilities

The following table summarizes the derivative financial liabilities (note 13):

	Kerr debenture I	Kerr debenture II	Sprott notes I and II	Total
Balance, June 30, 2018	**$ -**	**$ 208,739**	**$ -**	**$ 208,739**
Fair value adjustment	-	(208,739)	-	(208,739)
Derivative financial liabilities on 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**
Fair value adjustment due to amendment	(38,339)	(176,897)	(215,059)	(430,295)
Derivative financial liabilities on initial recognition	2,512	177,942	66,561	247,015
Fair value adjustment	(496)	(67,342)	29,609	(38,229)
Balance, June 30, 2020	**$ 2,016**	**$ 110,600**	**$ 96,170**	**$ 208,786**
Components of derivative financial liabilities:				
Current	$ -	$ -	$ 96,170	$ 96,170
Long term	$ 2,016	$ 110,600	$ -	$ 112,616
Total Balance	**$ 2,016**	**$ 110,600**	**$ 96,170**	**$ 208,786**

15. Decommissioning liabilities

The Company's decommissioning liabilities relates to the cost of removing and restoring of 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	
Balance, June 30, 2018	**$ 2,174,079**
Accretion expense for the year	30,792
Foreign exchange differences	(13,722)
Adjustment	80,073
Balance, June 30, 2019	**$ 2,271,222**
Accretion expense for the year	9,690
Foreign exchange differences	93,889
Adjustment	155,844
Balance, June 30, 2020	**$ 2,530,645**

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 Cdn$2,530,645 (US$1,856,945) to which the Company has provided cash collateral as disclosed in (note 5).
ii) Risk-free rate at 0.41%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2023.
iv) Inflation over the period up to 2023 was estimated to be 1.56% per annum.

(Expressed in Canadian Dollars)

16. 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

	# of shares	Amount
Balance, June 30, 2018	**255,785,168**	**$139,366,531**
Common shares issued in private placement (i)	21,239,409	2,973,518
Common shares issued in private placement (ii)	3,350,000	469,000
Value allocated to warrant (i)(ii)	-	(1,009,508)
Transaction costs	-	(56,123)
Balance, June 30, 2019	**280,374,577**	**$141,743,418**
Shares issued for interest (ii)	724,177	116,815
Conversion of promissory note (iv)	4,130,313	660,850
Common shares issued in private placement (vi)	22,913,486	3,207,888
Value allocated to warrant (v)	-	(714,964)
Share issue cost	-	(98,433)
Options exercised(v)	2,200,000	492,888
Balance, June 30, 2020	**310,342,553**	**$145,408,462**

(i) On November 27, 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.

(ii) 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.

(iii) On July 2, 2019, the Company issued 724,177 shares at a price of $0.16 per share to Sprott for the interest payment of 116,815 (US$90,500) accrued for Sprott Note I.

(iv) On August 6, 2019, Sprott elected to convert $660,850 (US$500,000) of Sprott Note I into 4,130,313 common shares of the Company at a price of $0.16 per share.

(Expressed in Canadian Dollars)

16. Share capital (continued)

b) Common shares issued (continued)

(v) On September 6, 2019, a director and officer of the Company exercised 2,200,000 options at a price of $0.125 per for proceeds of $275,000.

(vi) On February 28, 2020, the Company closed a private placement, by issuing 22,913,486 units of the Company (the "Units") at a price of $0.14 per Unit for total gross proceeds of $3,207,888. 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 22,913,486 share purchase warrants was estimated at $714,964 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.14%; volatility 77.29% and an expected life of 24 months. In connection with the private placement, the Company paid finder fees totaling $63,474 to certain eligible persons and incurred legal and other cost of $34,959.

17. 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, 2020 and June 30, 2019:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2018	**9,880,000**	**$ 0.220**
Issued (i) (ii) (iii)	4,000,000	0.130
Expired	(880,000)	(0.220)
Balance, June 30, 2019	**13,000,000**	**$ 0.200**
Issued (vi) (vi)	10,900,000	0.131
Exercised	(2,200,000)	(0.125)
Balance, June 30, 2020	**21,700,000**	**$ 0.170**

(Expressed in Canadian Dollars)

17. Stock options (continued)

(i) On November 28, 2018, the Company issued 500,000 stock options to an employee of the Company with an exercise price of $0.13 per share. The options vested 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 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, 2020, $8,041 was expensed to share-based payments (2019 - $36,198).

(ii) On January 29, 2019, the Company issued 500,000 stock options to a director of the Company with an exercise price of $0.14 per share. The options vested immediately. The grant date fair value of $53,248 was 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.

(iii) 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 per share. The options vested immediately. The grant date fair value of $297,120 was 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.

(iv) On September 6, 2019, a director and officer of the Company exercised 2,200,000 options at a price of $0.125 per share for proceeds of $275,000.

(v) On November 5, 2019, the Company issued 2,200,000 stock options to a director and officer of the Company with an exercise price of $0.135 per share. The options vested immediately. The fair value of these options at the date of grant of $243,800 was estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.135; 118% expected volatility; risk free interest rate of 1.59%; and an expected dividend yield of 0%. For the year ended June 30, 2020, the value of $243,800 was fully expensed to share-based payments.

(vi) On April 28, 2020 the Company issued 8,700,000 stock options to directors, officers and consultants of the Company with an exercise price of $0.14 per share. The options vested immediately. The fair value of these options at the date of grant of $953,800 was estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.13; 86.32% expected volatility; risk free interest rate of 0.42%; and an expected dividend yield of 0%. For the year ended June 30, 2020, $829,716, was fully expensed to share-based payments.

The following table reflects the actual stock options issued and outstanding as of June 30, 2020:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	1.84	4,000,000	4,000,000
August 23, 2022	0.22	2.15	3,000,000	3,000,000
January 12, 2023	0.30	2.54	2,000,000	2,000,000
November 28, 2023	0.13	3.41	500,000	500,000
January 29, 2024	0.14	3.58	500,000	500,000
April 15, 2024	0.125	3.79	800,000	800,000
November 5, 2024	0.135	4.35	2,200,000	2,200,000
April 28, 2025	0.14	4.83	8,700,000	8,700,000
	0.17	**3.55**	**21,700,000**	**21,700,000**

(Expressed in Canadian Dollars)

18. Warrants

The following table reflects the continuity of warrants for the year ended June 30, 2020 and 2019:

	Number of warrants	Amount
Balance, June 30, 2018	**22,222,217**	**$ 0.27**
Issued (note 16(b)(i)(ii))	24,589,409	0.21
Issued (note 13)	1,000,000	0.15
Expired	(17,820,269)	(0.27)
Balance, June 30, 2019	**29,991,357**	**$ 0.22**
Issued (note 16(b)(v))	22,913,486	0.21
Issued (note 13)	650,000	0.13
Expired	(4,401,948)	(0.27)
Balance, June 30, 2020	**49,152,895**	**$ 0.21**

The following table reflects the actual warrants issued as of June 30, 2020. The weighted average remaining contractual life is 1.12 years.

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
21,239,409	869,826	0.21	November 27, 2020 (1)
3,350,000	139,682	0.21	April 15, 2021 (1)
22,913,486	714,964	0.21	February 28, 2022 (1)
1,000,000	49,020	0.15	November 28, 2023
650,000	13,745	0.13	November 28, 2023
49,152,895	**1,787,237**	**0.21**	

19. Loss per share

For the year ended June 30, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $7,084,517 (2019 - $9,012,408) and the weighted average number of common shares outstanding of 294,299,255 (2019 - 268,993,587) 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)

20. Related party transactions

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

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

(a) Loans from related parties

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

	June 30, 2020	
Loans from related parties	**Directors and officers**	
Promissory note payables (note 12)	$	7,031,402
Convertible promissory note payables (note 13)		7,676,123
Derivative financial liabilities (note 13)		112,616
Total	**$**	**14,820,141**

	June 30, 2019	
Loans from related parties	**Directors and officers**	
Promissory note payables (note 12)	$	6,491,113
Convertible promissory note payables (note 13)		4, 551,281
Derivative financial liabilities (note 13)		215,236
Total	**$**	**11,257,630**

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

		Year Ended June 30,	
		2020	**2019**
The Marrelli Group	(i)	**$ 64,116**	$ 59,892
Peterson McVicar LLP ("Peterson")	(ii)	**84,713**	127,898
Silvergate Consulting	(iii)	**-**	50,000
Braydon	(iv)	**443,976**	408,789
Trans Oceanic	(v)	**488,152**	449,810
		$ 1,080,957	$ 1,096,389

20. Related party transactions (continued)

(b) Transactions (continued)

i) During the year ended June 30, 2020, the Company paid professional fees and disbursements of $64,116, (2019 - $59,892) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited and Marrelli Press Release Services Limited, together known as the "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;
- Corporate secretarial services, and
- Press release services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at June 30, 2020, the Marrelli Group was owed $19,396 (June 30, 2019 - $11,235) by the Company, which was included in accounts payable and accrued liabilities.

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, 2020 was $84,713 (2019 - $127,898). The amounts owing to the firm as at June 30, 2020 was $66,720 (June 30, 2019 - $13,311).

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. As at June 30, 2020 and 2019, the Silvergate Consulting was owed $nil by the Company .

iv) During the year ended June 30, 2020, the Company accrued interest to Braydon for the promissory notes payables (note 12).

v) During the year ended June 30, 2020, the Company accrued interest to Trans Oceanic for the promissory notes payables (note 12) and convertible promissory notes payable (note 13).

vi) During the year ended June 30, 2020, an officer and director of the Company exercised 2,200,000 stock options exercised at $0.125 per share for total proceeds of $275,000 (2019 - $nil).

vii) During the year ended June 30, 2020, insiders of the Company subscribed for 8,107,430 Units of the issued 22,913,486 units at a price of $0.14 per unit (see note 16(b)(v)), and for year ended June 30, 2019, insiders of the Company subscribed for 6,798,159 Units of the issued 21,239,409 units at a price of $0.14 per unit (see note 16(b)(i))

(Expressed in Canadian Dollars)

20. Related party transactions (continued)

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

	Year Ended June 30, 2020	Year Ended June 30, 2019
Salaries and benefits (included in exploration and evaluation expenditures)	**$ 302,108**	$ 369,669
Consulting fee	**350,000**	72,917
Stock-based compensation	**1,006,830**	438,659
	$ 1,658,938	$ 881,245

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

21. Commitments and contingencies

a) 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 $1,146,909 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account.
b) 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.

22. 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, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 2019
Loss before income taxes	$ (7,134,942)	$ (9,038,354)
Combined statutory rate	26.5%	26.5%
Estimated recovery of income taxes	$ (1,891,000)	$ (2,395,000)
Non-deductible expenditures	284,000	126,000
Share issue costs	(31,000)	(51,000)
Foreign tax rate differential	517,000	817,000
Deferred tax asset not recognized	1,071,000	1,481,000
Deferred income tax expense (recovery)	**$ (50,000)**	**$ (26,000)**

The Canadian statutory income tax rate of 26.5% (2019 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2019 – 15%) and the provincial income tax rate of approximately 11.5% (2019 – 11.5%).

(Expressed in Canadian Dollars)

22. Income taxes (continued)

The primary differences which give rise to the deferred income tax assets (liability) as at June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Deferred income tax assets (liability)		
Non-capital loss carry forwards	$ 25,735,000	$ 23,687,000
Pre-production investment tax credit	2,625,000	2,625,000
Other timing differences	(2,375,000)	(2,373,000)
Resource expenditures	39,204,000	39,204,000
Net capital losses	(216,000)	(216,000)
	64,973,000	62,927,000
Deferred tax asset not recognized	(64,973,000)	(62,927,000)
Deferred income tax assets (liabilities)	**$ -**	**$ -**

As at June 30, 2020, the unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $252,782 (2019 - $270,850) and will be deductible over the next four years.

As at June 30, 2020, the Company has $133,077,000 (2019 - $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, 2019, which can be utilized to be deducted against future resource profits.

As at June 30, 2020, the Company has $2,413,000 (2019 - $2,413,000) of certain Investment Tax Credits that can be used to offset future taxes payable.

As at June 30, 2020, the Company has Canadian loss carry-forwards of approximately $59,332,000 (2019 - $57,693,000) and US tax loss carry forwards of approximately $30,386,000 (2019 - $26,247,000). 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 $5,802,000 (2019 - $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)

22. 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 13) 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	**$**	**-**
Arising from convertible financial liabilities		66,718
Deferred tax recovery due to accretion expenses		(25,946)
Balance June 30, 2019	**$**	**40,772**
Deferred tax recovery due to amendment of financial liabilities		(40,772)
Arising from convertible financial liabilities		45,047
Deferred tax recovery due to accretion expenses		(9,653)
Balance June 30, 2020	**$**	**35,394**

23. Segmented information

As at June 30, 2020, 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, 2020

	Canada	**USA**	**Total**
Revenues	$ -	$ -	$ -
Net loss	$ (2,612,653)	$ (4,471,864)	$ (7,084,517)

Year Ended June 30, 2019

	Canada	**USA**	**Total**
Revenues	$ -	$ -	$ -
Net loss	$ (1,981,231)	$ (7,031,177)	$ (9,012,408)

(Expressed in Canadian Dollars)

23. Segmented information (continued)

As at June 30, 2020

	Canada	USA	Total
Total assets	$ 368,804	$ 17,908,656	$ 18,277,460
Non-current assets	$ -	$ 17,579,593	$ 17,579,593

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

24. Subsequent events

a) Subsequent to the year ended June 30, 2020, the Company entered into an agreement to acquire a 3% Gross Production Royalty ("Royalty") from Trans Oceanic, which will reduce the aggregate Royalty on the Copperstone Gold Mine from 6% to 3%. The Copperstone Gold Mine is currently subject to an aggregate 6% Royalty held by Trans Oceanic (4.5%) and the Angie Patch Survivor's Trust (1.5%). The purchase agreement entered into between the Company's subsidiary, Bonanza Explorations Inc. ("Bonanza"), and Trans Oceanic provides for the buyback of a 3% Royalty held by Trans Oceanic for US$2,500,000 on or before March 31, 2021 (the "Royalty Buyback"). The Royalty Buyback is conditional on the Company successfully arranging project financing for the re-start of production at the Copperstone Gold Mine.

b) Subsequent to the year ended June 30, 2020, the Company closed a bought deal financing for aggregate gross proceeds of $5,000,800 (the "Offering"). Pursuant to the Offering, the Company issued a total of 35,720,000 units of the Company (the "Units") at a price of C$0.14 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of C$0.22 for a period of 24 months. Haywood Securities Inc. acted as sole underwriter for the Offering.

c) In December 2019, the Company experienced a localized failure of the highwall of the historic open pit mine at the Copperstone Project. The highwall failure impacted certain of the infrastructure at the main portal to the underground workings, including the power infrastructure. Initial estimates to repair the damage were approximately US$1 million. The Company advised its insurers of the incident and the insurers sent adjusters to site to review the damages. Initial oral and written representations from the Company's insurers indicated that all damage was covered and that the costs of remediation of the damages would be recoverable. To date the Company has received insurance proceeds of US$256,458. The remediation was completed in June 2020 at a total cost of approximately US$1,812,597. The actual costs were significantly higher than initially estimated due to significantly higher costs to provide temporary power to the underground workings for an extended period of time to ensure on-going dewatering and mitigate incurring further damages. During the remediation process and since its completion, the Company has provided the insurers with required documentation to substantiate the claim and actively engaged with the insurance company regarding the balance of the claim. As a result of the further delays by the insurer the Company filed a Statement of Claim on August 12, 2020 and intends to pursue the remaining amount payable under this claim.

24. Subsequent events (continued)

(d) Since March 2020, the COVID-19 pandemic has caused a widespread health crisis that has affected economies and financial markets worldwide, resulting in an economic downturn. In response to the outbreak, government authorities in Canada and around the world have introduced various measures to restrain it from spreading, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the government authorities' response are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the fast development of the COVID-19 situation and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing. The impact could be material.