CONFEDERATION
MINERALS LTD.

Financial Statements

Period Ended December 31, 2018

(Expressed in Canadian Dollars)

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

	Notes	December 31, 2018	June 30, 2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		530,344	591,455
Receivables	5	14,141	52,874
Prepaid expenses		4,978	3,819
Total current assets		549,463	648,148
Non-current assets			
Exploration and evaluation assets	6	1	1
Total assets		549,464	648,149
LIABILITIES			
Current liabilities			
Payables and accruals	7	427,675	288,842
Loan payable	8	5,000	5,000
Total liabilities		432,675	293,842
EQUITY (DEFICIENCY)			
Equity (deficiency) attributable to shareholders			
Share capital	10	23,109,725	23,109,725
Reserves		2,955,549	2,955,549
Accumulated deficit		(25,948,485)	(25,710,967)
Total equity (deficiency)		116,789	354,307
Total liabilities and equity (deficiency)		549,464	648,149

Nature and Continuance of Operations (note 1)
Commitments (note 13)

These financial statements are authorized for issue by the Board of Directors on February 28, 2019. They are signed on the Company's behalf by:

On behalf of the Board:

"Denise Lok"	Director	*"David Velisek"*	Director
Denise Lok		David Velisek	

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

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

	Notes	Three months ended December 31, 2018	Three months ended December 31, 2017	Six months ended December 31, 2018	Six months ended December 31, 2017
		$	$	$	$
Expenses					
Bank charges and interest	9	29	234	97	1,804
Consulting and management fees	13	87,000	72,000	174,000	174,000
Exploration and evaluation expenditures	6	5,178	5,599	14,911	6,747
Filing fees		2,449	2,195	3,727	7,395
Insurance		662	6,844	7,968	13,372
Meals and entertainment		1,846	275	2,259	4,553
Office expenses		3,765	3,087	8,987	7,027
Professional fees		22,650	13,077	22,650	13,077
Project investigation		-	-	275	103,081
Shareholder information		510	1,296	1,159	3,198
Transfer agent fees		1,501	1,525	2,054	2,584
Travel and accommodation		130	-	151	19,527
		(125,720)	(106,132)	(238,238)	(356,365)
Interest and miscellaneous income		635	-	720	1,595
Write-down of exploration and evaluation asset	6	-	-	-	(157,201)
Loss for the period		(125,085)	(106,132)	(237,518)	(511,971)
Total comprehensive loss for the period		(125,085)	(106,132)	(237,518)	(511,971)

Loss per share (note 12)

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

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

For the Six Months Ended December 31,	2018	2017
	$	$
Cash provided by (used in):		
Operating activities		
Loss for the period	(237,518)	(511,971)
Items not involving cash:		
Interest income	(720)	1,595
Accretion expense on convertible debenture	-	1,375
Write-down of exploration and evaluation assets	-	125,825
Changes in non-cash working capital:		
Receivables	38,733	(12,392)
Prepaid expenses	(1,159)	(1,179)
Payables and accruals	138,833	92,922
	(61,831)	(303,825)
Investing activities:		
Interest received	720	(1,595)
	720	(1,595)
Financing activities:		
Proceeds from shares issued	-	112,000
Repayment of Convertible Debenture	-	(50,000)
	-	62,000
Net change in cash and cash equivalent	(61,111)	(243,420)
Cash and cash equivalent, beginning of period	591,455	316,133
Cash and cash equivalent, end of period	530,344	72,713

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

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

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total Equity (Deficiency)
		$	$	$	
Balance - June 30, 2017	10,365,526	21,912,449	2,545,034	(24,510,109)	(52,626)
Shares issuance for mineral property	216,655	125,825	-	-	125,825
Warrant exercise	200,000	112,000	-	-	112,000
Loss for the period	-	-	-	(511,971)	(511,971)
Balance - December 31, 2017	10,782,181	22,150,274	2,545,034	(25,022,080)	(326,772)
Balance - June 30, 2018	13,626,972	23,109,725	2,955,549	(25,710,967)	354,307
Loss for the period	-	-	-	(237,518)	(237,518)
Balance - December 31, 2018	13,626,972	23,109,725	2,955,549	(25,948,485)	116,789

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

The Company has working capital surplus as at December 31, 2018 of $116,788 and an accumulated deficit of $25,948,485. These financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses from inception and does not currently have the financial resources to maintain its operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds from there and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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

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

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the period ended December 31, 2018.

Basis of measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and Cash Equivalents

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

b) Mineral Exploration and Evaluation Expenditures

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

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

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

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

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

c) Foreign Currencies Translation and Transaction

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Impairment of Non-Financial Assets

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

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

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

e) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category into which they currently classify its assets is as follows:

Loans and Receivables

These assets, including receivables, are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Receivables are classified as loans and receivables.

Available-for-Sale Financial Assets

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments (continued)

On sale or impairment, the cumulative amount recognized in other comprehensive loss is reclassified from accumulated other comprehensive income (loss) to profit or loss.

Marketable securities (common shares) are classified as available for sale.

Fair Value through Profit and Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on the fair value in accordance with Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. Fair value through profit or loss are measured at fair value, and changes are recognized in profit or loss.

Cash is classified as fair value through profit or loss.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities, including payables, accruals and loans payable, are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise payables and accruals. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

f) Provisions

Rehabilitation Provision

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions (continued)

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

Other Provisions

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

g) Income Taxes

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

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

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

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

h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, share warrants and flow-through shares are classified as equity instruments.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provisions

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

Flow-through Shares

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

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

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

j) Earnings / Loss Per Share

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

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

k) Share-based Payments

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Share-based Payments (continued)

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

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

l) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for the Company's fiscal years beginning on or after July 1, 2018. The following standards and interpretations are relevant to the Company's financial statements but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is tentatively effective for the Company’s fiscal period beginning July 1, 2018.

The Company has analyzed the impact of adopting IFRS 9 and anticipates there will be no material changes as a result of adopting this new standard.

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 financial statements within the next financial year are discussed below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

5. RECEIVABLES

At December 31, 2018 and June 30, 2018, the Company's receivables consist of GST – value added tax.

6. EXPLORATION AND EVALUATION ASSETS

Newman Todd Project

The exploration and evaluation assets of the Company are comprised of a 70% interest in the Newman Todd Project

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

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

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

The schedule below outlines the costs incurred in the Newman Todd Project as at December 31, 2018:

	As at June 30, 2017	Additions/ (Writedowns)	As at June 30, 2018	Additions/ (Writedowns)	As at December 31, 2018
	$	$	$	$	$
Acquisition					
Cash payments	1	-	1	-	1
Share issuance	-	-	-	-	-
	1	-	1	-	1

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	Cumulative to June 30, 2017	Expenditures during the period	Cumulative to June 30, 2018	Expenditures during the period	Cumulative to December 31, 2018
Exploration and evaluation expenditures					
Advance payment	-	-	-	-	-
Assays and reports	1,363,866	-	1,363,866	-	1,363,866
Camp construction	115,276	-	115,276	-	115,276
Drilling	4,860,038	-	4,860,038	-	4,860,038
Environmental	291,336	-	291,336	-	291,336
Equipment installation	101,950	-	101,950	-	101,950
Field expenses	1,206,969	-	1,206,969	-	1,206,969
General administration	78,634	6,189	84,823	5,233	90,056
Metallurgy studies	133,482	-	133,482	-	133,482
Geological consulting	2,981,619	12,458	2,994,077	9,678	3,003,755
Permitting	4,340	-	4,340	-	4,340
Reclamation	10,000	-	10,000	-	10,000
Resource estimation	33,100	-	33,100	-	33,100
Surveys and geophysics	15,068	-	15,068	-	15,068
Travel and accommodation	480,250	-	480,250	-	480,250
Total exploration and evaluation expenditures	11,675,928	18,647	11,694,575	14,911	11,709,486

<u>Other Projects</u>

Confederation Lake (Mitchell & Belanger) Claims, Ontario

The Company holds certain claims located in the Red Lake Mining District of Ontario with a carrying value of $Nil.

Tourmaline Queen and Golden Galena

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

Bull and PCM Projects

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

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

7. PAYABLES AND ACCRUALS

	Note	December 31, 2018	June 30, 2018
		$	$
Trade payables and accruals		349,175	272,801
Exploration expenditures			
Due to related parties	11	78,500	16,041
		427,675	288,842

8. LOAN PAYABLE

During the year ended June 30, 2015, the Company received a shareholder loan for $5,000 which bears no interest and is payable upon demand.

9. CONVERTIBLE DEBENTURE

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

For accounting purposes, the convertible debenture was considered a liability since the conversion feature was not a "fixed for fixed" conversion, it was considered an embedded derivative. However, the value of the embedded derivative liability had no value as the conversion price was set at the market price on the date of conversion. The fair value of the liability component was calculated as $43,339 being the present value of the convertible note's price discounted at the Company's estimated incremental borrowing rate of 10% for the period from April 14, 2016 to the expected remaining life of the note. The difference of $6,661 was recorded as a discount on convertible debenture.

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

Interest accretion is included in bank charges and interest in the statements of operations and comprehensive loss in the amount of $1,375 for the period ended December 31, 2017.

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

10. SHARE CAPITAL

a) Authorized:

Unlimited common shares with no par value

b) Issued Share Capital:

At December 31, 2018, there were 13,626,972 common shares issued and outstanding (December 31, 2017 – 10,782,181)

c) Common Shares:

Fiscal 2018

The Company issued 216,655 shares at a value of $125,825 in connection to the execution of the Bull and PCM LOI (note 6).

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

d) Share-based Payments

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

During period ended December 31, 2018, Company granted nil (December 31, 2017 – nil) stock options.

The continuity of stock options for the period ended December 31, 2018 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance June 30, 2017	-	-
Granted	1,050,000	0.40
Balance June 30, 2018	1,050,000	0.40
Balance December 31, 2018	1,050,000	0.40

The options outstanding and exercisable at December 31, 2018 are as follows:

Number	**Exercise Price**	**Remaining Contractual**
1,050,000	0.40	4.24

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

Options	**Period Ended December 31, 2018**	**Year Ended June 30, 2018**
Dividend yield	-	0%
Risk-free interest rate	-	1.94%
Estimated volatility	-	166.51%
Expected life in years	-	5

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

e) Warrants

The continuity of the warrants during the period ended December 31, 2018 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance June 30, 2017	2,542,327	0.56
Exercised	(200,000)	0.56
Granted	2,331,621	0.55
Balance June 30, 2018	4,673,948	0.56
Forfeited	(2,342,327)	0.56
Balance December 31, 2018	2,331,621	0.55

The outstanding warrants at December 31, 2018 are as follows:

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

11. RELATED PARTIES TRANSACTIONS

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

		Six Months Ended December 31,	
Services provided by:	Notes	**2018**	**2017**
		$	$
Baron Global Financial Canada Ltd.	(a)	60,000	60,000
Carl Hering	(b)	-	20,000
Mike Collins	(c)	-	11,860

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

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

	December 31, 2018	**June 30, 2018**
	$	$
Baron Global Financial Canada Ltd.	78,500	15,536
David Velisek	-	505
	78,500	16,041

(Expressed in Canadian Dollars)

11. RELATED PARTIES TRANSACTIONS (continued)

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

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period ended December 31, 2018 and 2017 was as follows:

For the Six Months Ended December 31,	**2018**	**2017**
Loss for the period:	($237,518)	($511,971)
Weighted average number of common shares outstanding	13,626,972	10,782,181
Basic and diluted loss per share	($0.02)	($0.05)

13. COMMITMENTS

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

14. SEGMENT INFORMATION

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest Rate Risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At December 31, 2018, the Company was not subject to significant interest rate risk.

Foreign Exchange Rate Risk

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

Credit Risk

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

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

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

Fair Value Hierarchy:

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

16. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions.