

OrganiMax Nutrient Corp.
(An Exploration Stage Enterprise)

**Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 30, 2019 and 2018**

(Expressed in Canadian Dollars)

Responsibility for Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants of Canada for the review of interim financial statements by an entity's auditor.

OrganiMax Nutrient Corp.

(An Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

As at	December 31, 2019	June 30, 2019
	\$	\$
ASSETS		
Current		
Cash	46,551	60,141
Amounts receivable	99,865	91,029
Prepaid expenses	50,542	31,542
	196,958	182,712
Equipment (Note 4)	8,544	10,052
Exploration and evaluation assets (Note 5)	3,496,066	2,782,448
	3,701,568	2,975,212
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	1,697,356	1,141,127
Shareholders' equity		
Share capital (Note 6)	5,417,680	4,954,680
Share subscriptions received in advance	-	60,000
Reserves	8,205,701	8,205,701
Deficit	(11,619,169)	(11,386,296)
	2,004,212	1,834,085
	3,701,568	2,975,212

Nature of operations and going concern (Note 1)

These condensed consolidated interim financial statements were authorized for issued by the Board of Directors on February 28, 2020. They are signed on the Company's behalf by:

*"Timothy Mosey"*_____
Director*"Brandon Rook"*_____
Director

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Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Three months ended December 31,		Six months ended December 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
EXPENSES				
Advertising and promotion	4,830	2,031	11,683	21,116
Consulting fees (Note 7)	22,100	50,760	52,600	155,600
Depreciation (Note 4)	580	828	1,160	1,657
General administrative	28,625	16,830	53,313	56,176
Professional fees (Note 7)	39,359	15,121	51,359	53,516
Salaries and wages (Note 7)	32,165	-	56,087	-
Share-based payments (Notes 6 and 7)	-	3,118	-	11,465
Stock exchange and filing fees	-	800	-	800
LOSS BEFORE OTHER ITEMS	(127,659)	(89,488)	(226,202)	(300,330)
OTHER ITEMS				
Foreign exchange loss	(18,235)	(4,071)	(10,380)	(24,970)
Interest and other income	-	-	3,709	-
LOSS AND COMPREHENSIVE LOSS	(145,894)	(93,559)	(232,873)	(325,300)
Loss and comprehensive loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.03)
Weighted average number of common shares outstanding, basic and diluted	18,684,785	9,424,790	16,067,828	9,424,790

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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Common Shares		Subscriptions	Reserves	Deficit	Total
	Number	Amount	Received			Shareholders'
	of Shares		in Advance			Equity
	(Note 6)	\$	\$	\$	\$	\$
Balance, June 30, 2018	9,424,785	4,954,680	-	8,198,925	(10,630,380)	2,523,225
Share-based payments	-	-	-	11,465	-	11,465
Loss and comprehensive loss	-	-	-	-	(325,300)	(325,300)
Balance, December 31, 2018	9,424,785	4,954,680	-	8,210,390	(10,955,680)	2,209,390
Balance, June 30, 2019	9,424,785	4,954,680	60,000	8,205,701	(11,386,296)	1,834,085
Private placement	9,260,000	463,000	(60,000)	-	-	403,000
Loss and comprehensive loss	-	-	-	-	(232,873)	(232,873)
Balance, December 31, 2019	18,684,785	5,417,680	-	8,205,701	(11,619,169)	2,004,212

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

OrganiMax Nutrient Corp.

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Condensed Consolidated Interim Statements of Cash Flows

For the six months ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
CASH USED IN:		
OPERATING ACTIVITIES		
Loss and comprehensive loss	(232,873)	(325,300)
Items not involving cash:		
Depreciation	1,160	1,657
Foreign exchange loss	-	132
Share-based payments	-	11,465
Changes in non-cash working capital items:		
Amounts receivable	(8,836)	(20,531)
Prepaid expenses	(19,000)	(1,938)
Accounts payable and accrued liabilities	(151,911)	35,894
	(411,460)	(298,621)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of issue costs	403,000	-
	403,000	-
INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(5,130)	(94,905)
	(5,130)	(94,905)
DECREASE IN CASH AND CASH EQUIVALENTS	(13,590)	(393,526)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	60,141	473,267
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	46,551	79,741
Supplemental Cash Flow Information:		
Income tax paid	-	-
Interest paid	-	-
Non-cash financing and investing activities:		
Non-cash exploration and evaluation assets expenditures	708,140	157,631

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2019 and 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

OrganiMax Nutrient Corp. (the “Company”) was incorporated on July 10, 2003 under the laws of British Columbia. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. On May 3, 2017, the Company further changed its name to Alset Minerals Corp., and retained the same ticker symbol “ION” on the TSX Venture Exchange. On August 28, 2018, the Company further changed its name to OrganiMax Nutrient Corp. and ticker symbol to “KMAX” on the TSX Venture Exchange. The Company is an exploration stage company which engages in the business of acquisition, exploration and development of mineral properties in Canada and Mexico. The Company’s head office is located at Suite 1400 – 1040 West Georgia Street, Vancouver, B.C., V6E 4H8. The Company began trading on the TSX Venture Exchange in April 2005.

The Company had a working capital deficiency of \$1,500,398 and a deficit of \$11,619,169 as at December 31, 2019, which has been funded mainly by the issuance of equity. The accompanying condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These material uncertainties cast significant doubt regarding the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and the financial position classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. BASIS OF PREPARATION**Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of the condensed consolidated interim financial statements. The accounting policies followed in these consolidated financial statements are the same as those applied in the audited annual consolidated financial statements for the Company for the year ended June 30, 2019.

These condensed consolidated interim financial statements of the Company for the six months ended December 31, 2019 were reviewed, approved and authorized for issue by the Board of Directors on February 28, 2020.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars which is also the Company’s functional currency.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary Grupo Minero Alset, S.A. de C.V. (“Grupo”) in Mexico. Grupo was incorporated on June 7, 2016. All inter-company balances and transactions have been eliminated on consolidation.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2019 and 2018

2. BASIS OF PREPARATION (continued)

Use of Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive 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.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact any amounts charged to operations for reclamation and remediation. At December 31, 2019 and June 30, 2019, no reclamation obligation has been incurred. Therefore, no provision has been recorded which represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

c) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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2. BASIS OF PREPARATION (continued)

Use of Accounting Judgments, Estimates and Assumptions (continued)

d) Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is often determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

e) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

f) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Pronouncements

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

The adoption of IFRS 16 did not impact the Company's consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****4. EQUIPMENT**

	Computer Hardware and Software	Drilling and Exploration Equipment	Total
	\$	\$	\$
COST			
Balance at June 30, 2018, June 30, 2019 and December 31, 2019	16,571	4,313	20,884
DEPRECIATION			
Balance at June 30, 2018	5,522	1,027	6,549
Depreciation	3,315	968	4,283
Balance at June 30, 2019	8,837	1,995	10,832
Depreciation	1,160	348	1,508
Balance at December 31, 2019	9,997	2,343	12,340
NET CARRYING AMOUNT AS AT			
June 30, 2019	7,734	2,318	10,052
December 31, 2019	6,574	1,970	8,544

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018**

5. EXPLORATION AND EVALUATION ASSETS

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for six months ended December 31, 2019 and for the year ended June 30, 2019 are summarized in the tables below:

	Lithium Salars
	\$
Acquisition costs	
Balance, June 30, 2019	1,656,217
Acquisition	-
Total, December 31, 2019	1,656,217
Exploration and evaluation costs	
Balance, June 30, 2019	1,126,231
Depreciation	348
Field supplies and miscellaneous	2,055
Permitting and prospecting	274
Taxes and duties	710,941
Total, December 31, 2019	1,839,849
Total, December 31, 2019	3,496,066

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****5. EXPLORATION AND EVALUATION ASSETS (continued)**

	Lithium Salars	Champion Graphite	Total
	\$	\$	\$
Acquisition costs			
Balance, June 30, 2018	1,271,669	130,026	1,401,695
Acquisition	384,548	-	384,548
Write-down of property	-	(130,026)	(130,026)
Total, June 30, 2019	1,656,217	-	1,656,217
Exploration and evaluation costs			
Balance, June 30, 2018	1,015,296	68,859	1,084,155
Assays and analysis	36,654	-	36,654
Depreciation	-	-	-
Field supplies and miscellaneous	1,298	-	1,298
Geological consultants	49,269	8,250	57,519
Legal and administration	19,382	-	19,382
Travel and accomodation	4,332	-	4,332
Write-down of property	-	(77,109)	(77,109)
Balance, June 30, 2019	1,126,231	-	1,126,231
Total, June 30, 2019	2,782,448	-	2,782,448

(a) Lithium Salars, Mexico

Pursuant to an agreement dated July 28, 2016 and amended on April 7, 2017 with MKG Mining Mexico, S.A. de C. V. ("MKG"), the Company acquired a 100% interest in lithium, potassium, boron soils, and brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caligüey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. As consideration for the properties, the Company agreed to pay the outstanding mining taxes on the four concessions of \$143,870 (paid) and US\$210,000 to MKG. During the year ended June 30, 2017, the Company paid US\$20,000 in cash and issued 700,505 common shares of the Company as payment of the remaining US\$190,000 balance.

The Company also paid \$44,587 as finder's fee to an individual who became a director of the Company in March 2017.

The property is subject to a 2% net smelter royalty ("NSR") of which 1% can be purchased by the Company for US\$250,000. The property is also subject to a 0.25% NSR in favour of the finder mentioned above.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2019 and 2018

5. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Lithium Salars, Mexico (continued)

Pursuant to an agreement dated June 15, 2017, the Company entered into an assignment of mining rights and obligations agreement with Hot Spring Mining, S.A. de C.V. (“Hot Spring Mining”) to acquire two concessions located in Zacatecas and San Luis Potosi, Mexico. The Company agreed to issue 444,444 common shares to Hot Spring Mining as consideration for the properties (issued in August 2017). The Company also agreed to pay the outstanding mining taxes on the two concessions totaling \$180,998. The properties are subject to a 2.5% NSR of which the Company has the right to purchase up to 1.5% for \$1,500,000.

In November 2017, the Company completed the staking and filing of additional mineral claims for this property.

During the year ended June 30, 2019, the Company incurred acquisitions costs of \$155,839 which consist of annual mining fees on the mining claims that make-up the property.

(b) Champion Graphite, Ontario

The 100% owned Champion Graphite property is located 60km north of Kenora, Ontario and consists of 29 units in 2 unpatented mining claims. The Company acquired the property in 2016 from Benton Resources Inc. (“Benton”), a company related by common directors and officers, by issuance of 1 million common shares of the Company to Benton. The property is subject to a 2% NSR, one-half of which 1% can be bought back by the Company for \$500,000. During the year ended June 30, 2019, the Company identified impairment indicators with respect to the Champion Graphite Property as the claims were cancelled as of June 30, 2019. Consequently, the Company recorded impairment in the amount of \$207,135 in connection with the Champion Graphite Property.

6. SHARE CAPITAL

Authorized:

Class A common - unlimited

Class B common - unlimited

Common shares - unlimited

Issued:

Class A common - Nil

Class B common - Nil

Common shares – 18,684,785 shares

Effective May 6, 2019, the Company completed a share consolidation on the basis of 3 pre-consolidation common shares for 1 post-consolidation common share. These consolidated financial statements have been retrospectively adjusted to reflect this consolidation.

(a) Share issued

On August 21, 2019, the Company received approval from the TSX Venture Exchange for a non-brokered \$0.05 unit private placement financing. The Company issued 9,260,000 units for gross proceeds of \$463,000, each unit consisting one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.075 per share at any time within two years of the date of issuance.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****6. SHARE CAPITAL (continued)****(b) Stock options**

The Company has adopted an incentive stock option plan for granting options to directors, employees and consultants. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. Options granted may not exceed a term of five years. All options vest upon grant unless otherwise specified by the Board of Directors. In the annual general and extraordinary meeting held on March 23, 2017, the shareholders of the Company authorized the granting of options to a maximum of 996,893 common shares.

Details of stock option transactions for the six months ended December 31, 2019 and for the year ended June 30, 2019 are detailed below.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, June 30, 2018	485,504	0.45
Granted	-	-
Expired and forfeited	(277,172)	1.20
Balance, June 30, 2019	208,332	1.21
Expired	(83,333)	0.99
Balance, December 31, 2019	124,999	1.35

As at December 31, 2019, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Options Exercisable
	\$		
April 21, 2021	0.63	25,000	25,000
July 27, 2021	3.51	11,111	11,111
December 12, 2021	1.17	33,333	33,333
May 10, 2022	1.35	55,555	55,555
		124,999	124,999

The weighted average life of the options outstanding and exercisable at December 31, 2019 is 1.97 years (June 30, 2019 – 2.44 years).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****6. SHARE CAPITAL (continued)****(c) Warrants**

The changes in warrants during the six months ended December 31, 2019 and for the year ended June 30, 2019 were as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, June 30, 2018	2,682,912	0.600
Expired	(774,286)	1.480
Balance, June 30, 2019	1,908,626	0.510
Issued	9,260,000	0.075
Balance, December 31, 2019	11,168,626	0.510

Warrants outstanding at December 31, 2019 were as follows:

Expiry Date	Number of Warrants	Exercise Price
		\$
January 10, 2020	296,825	0.900
April 13, 2021	1,378,361	0.450
April 13, 2021	233,440	0.360
August 21, 2021	9,260,000	0.075
	11,168,626	

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****7. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the six months ended December 31, 2019 and 2018:

Payee	Description of Relationship	Nature of Transaction	2019	2018
			\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, officer and former director	Legal fees and consulting fees	10,175	11,670
Emily Hanson	Former Vice President, Exploration, and former director	Geological consulting fees	-	29,000
Gilberto Zapata Castaneda	Former Director, and former CFO	Consulting fees	21,600	40,600
Timothy Mosey	Director	Consulting fees	-	60,000
William Gennen McDowall	Former president, former CEO,	Consulting fees	-	27,000
Brandon Rook	CEO and director	Consulting fees and salaries and wages	62,308	-
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	Accounting fees	18,000	18,000
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	Accounting fees	6,000	8,000

The services provided by and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties as at December 31, 2019 and June 30, 2019 were as follows:

Payee	Description of Relationship	December 31, 2019	June 30, 2019
		\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, officer and former director	-	15,850
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, former CFO	-	4,620
Allan Laboucan	Former president, former CEO, and a former director	36	36
Timothy Mosey	Director	21,500	39,000
Brandon Rook	CEO and director	-	44,659
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	7,950	14,800
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	7,450	8,400

The amounts due to related parties are included in accounts payable and are non-interest bearing, unsecured, and have repayment terms similar to other non-related party trade payables.

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the six months ended December 31, 2019 and 2018.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****7. RELATED PARTY TRANSACTIONS (continued)**

Short-term key management compensation consists of the following for the six months ended December 31, 2019 and 2018:

	2019	2018
	\$	\$
Professional fees	34,175	37,670
Consulting fees	31,600	153,600
Geological consulting fees, recorded in exploration and evaluation assets	-	29,000
Salaries and wages	52,308	-
Share-based payments	-	9,835
	118,083	230,105

8. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short-term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital (deficiency) and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the current period. In order to maintain or adjust the capital structure, the Company considers the following;

- i) incremental investment and acquisition opportunities;
- ii) equity and debt capital available from capital markets;
- iii) equity and debt credit;
- iv) sale of assets;
- vi) limiting the size of the investment program; and
- vi) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at December 31, 2019 and June 30, 2019.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

IFRS establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at December 31, 2019 and June 30, 2019 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash and cash equivalents				
December 31, 2019	46,551	-	-	46,551
June 30, 2019	60,141	-	-	60,141

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at December 31, 2019 and June 30, 2019 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	December 31, 2019	June 30, 2019
	\$	\$
Fair value through profit and loss (i)	46,551	60,141
Amortized Cost (ii)	1,697,356	1,141,127

(i) Cash

(ii) Accounts payable

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Six Months Ended December 31, 2019 and 2018

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk, currency risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are held through a large Canadian financial institution. Management believes the risk of loss to be remote.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In management's opinion, the Company is not exposed to significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. At December 31, 2019, the Company had cash on hand of \$46,551 (June 30, 2019 - \$60,141) available to settle current liabilities of \$1,697,356 (June 30, 2019 - \$1,141,127). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Currency risk

The Company's functional currency is the Canadian dollar. The Company is primarily exposed to currency fluctuations related to accounts payable and accrued liabilities and payment obligations for exploration and evaluation that are denominated in Mexican Pesos. As at December 31, 2019, the Company had net current liabilities of \$1,569,050 (June 30, 2019 - \$835,893) denominated in Mexican Pesos which was translated at 0.06882 pesos to \$1 (June 30, 2019 - 0.06821). The Company does not actively manage this risk.

(e) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. In management's opinion, the Company is not exposed to significant market risk

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(Expressed in Canadian Dollars)****For the Six Months Ended December 31, 2019 and 2018****10. SEGMENTED INFORMATION**

The Company currently operates in two geographical operating segments, the exploration of mineral properties in Canada and Mexico. Management of the Company makes decisions about allocating resources based on the operating segments. A geographic summary of identifiable assets and liabilities by country is as follows:

As at December 31, 2019			
	Canada	Mexico	Total
	\$	\$	\$
Equipment	6,574	1,970	8,544
Exploration and evaluation assets	-	3,496,066	3,496,066

As at June 30, 2019			
	Canada	Mexico	Total
	\$	\$	\$
Equipment	7,734	2,318	10,052
Exploration and evaluation assets	-	2,782,448	2,782,448
