OrganiMax Nutrient Corp.

(An Exploration Stage Enterprise)

Consolidated Financial Statements
For the Year Ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of OrganiMax Nutrient Corp.

Opinion

We have audited the consolidated financial statements of OrganiMax Nutrient Corp. and its subsidiary (the "Company") which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company incurred a net loss of $755,916 for the year ended June 30, 2019 and, as of that date, the Company had an accumulated deficit of $11,386,296. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits 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.

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. 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 as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 audits. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits

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 auditors' report is Raymond Lu.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 28, 2019

OrganiMax Nutrient Corp.

(An Exploration Stage Enterprise)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at	June 30, 2019	June 30, 2018
	$	$
ASSETS		
Current		
Cash	60,141	473,267
Amounts receivable	91,029	61,734
Prepaid expenses	31,542	6,728
	182,712	541,729
Equipment (Note 4)	10,052	14,335
Exploration and evaluation assets (Note 5)	2,782,448	2,485,850
	2,975,212	3,041,914
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	1,141,127	518,689
	1,141,127	518,689
Shareholders' equity		
Share capital (Note 6)	4,954,680	4,954,680
Share subscriptions received in advance	60,000	-
Reserves	8,205,701	8,198,925
Deficit	(11,386,296)	(10,630,380)
	1,834,085	2,523,225
	2,975,212	3,041,914

Nature of operations and going concern (Note 1)
Subsequent event (Note 12)

These consolidated financial statements were authorized for issued by the Board of Directors on October 28, 2019. They are signed on the Company's behalf by:

"*Timothy Mosey*" — Director

"*Brandon Rook*" — Director

OrganiMax Nutrient Corp.

(An Exploration Stage Enterprise)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	2019	2018
	$	$
EXPENSES		
Advertising and promotion	25,187	94,052
Consulting fees (Note 7)	295,475	426,310
Depreciation (Note 4)	3,314	3,736
General administrative (Note 7)	96,820	163,784
Professional fees (Note 7)	109,166	152,903
Share-based payments (Notes 6 and 7)	6,776	131,823
Stock exchange and filing fees	800	7,900
LOSS BEFORE OTHER ITEMS	(537,538)	(980,508)
OTHER ITEMS		
Foreign exchange gain (loss)	(11,243)	6,114
Gain on mineral property	-	79,999
Interest and other income	-	359
Write down of mineral property (Note 5)	(207,135)	
LOSS AND COMPREHENSIVE LOSS	(755,916)	(894,036)
Loss and comprehensive loss per share, basic and diluted	(0.08)	(0.13)
Weighted average number of common shares outstanding, basic and diluted	9,424,785	6,795,872

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

OrganiMax Nutrient Corp.

(An Exploration Stage Enterprise)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	Common Shares					Total
	Number of Shares	Amount	Share Subscriptions	Reserves	Deficit	Shareholders' Equity
	(Note 6)	$	$	$	$	$
Balance, June 30, 2017	5,537,834	3,449,212	-	7,903,150	(9,736,344)	1,616,018
Shares issued for exploration and evaluation assets	444,444	340,000	-	-	-	340,000
Private placement	3,320,214	1,372,420	-	-	-	1,372,420
Share issue costs	122,293	(206,952)	-	163,952	-	(43,000)
Share-based payments	-	-	-	131,823	-	131,823
Loss and comprehensive loss	-	-	-	-	(894,036)	(894,036)
Balance, June 30, 2018	9,424,785	4,954,680	-	8,198,925	(10,630,380)	2,523,225
Subscriptions received in advance	-	-	60,000	-	-	60,000
Share-based payments	-	-	-	6,776	-	6,776
Loss and comprehensive loss	-	-	-	-	(755,916)	(755,916)
Balance, June 30, 2019	9,424,785	4,954,680	60,000	8,205,701	(11,386,296)	1,834,085

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

OrganiMax Nutrient Corp.
(An Exploration Stage Enterprise)
Consolidated Statements of Cash Flows
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
CASH USED IN:		
OPERATING ACTIVITIES		
Loss and comprehensive loss	(755,916)	(894,036)
Items not involving cash:		
Depreciation	3,314	3,736
Foreign exchange loss	12,757	(19,725)
Write down/(gain) on mineral property	207,135	(79,999)
Share-based payments	6,776	131,823
Changes in non-cash working capital items:		
Amounts receivable	(28,680)	(45,102)
Prepaid expenses	(24,814)	3,599
Accounts payable and accrued liabilities	231,777	29,454
	(347,651)	(870,250)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of issue costs	-	1,329,420
Share subscriptions received in advance	60,000	-
	60,000	1,329,420
INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(125,475)	(338,539)
Purchase of equipment	-	(5,469)
Proceeds from sale of exploration and evaluation assets	-	80,000
	(125,475)	(264,008)
Effective of foreign exchange on cash	-	(841)
CHANGE	(413,126)	194,321
CASH, BEGINNING OF THE YEAR	473,267	278,946
CASH, END OF THE YEAR	60,141	473,267
Supplemental Cash Flow Information:		
Income tax paid	-	-
Interest paid	-	-
Non-cash financing and investing activities:		
Fair value of finder's units	-	85,304
Fair value of broker warrants	-	122,674
Non-cash exploration and evaluation assets expenditures	384,548	-
Shares issued for exploration and evaluation assets	-	340,000

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

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 $958,415 and a deficit of $11,386,296 as at June 30, 2019, which has been funded mainly by the issuance of equity. The accompanying consolidated 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 consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the consolidated financial statements.

These consolidated financial statements of the Company for the year ended June 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors on October 28, 2019.

Basis of Measurement

These consolidated 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 consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

Basis of Consolidation

These consolidated 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.

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 June 30, 2019 and 2018, 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.

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

Foreign Currency Translation

The functional currency of each of the Company's entities is determined using primary and secondary indicators related to the economic environment in which that entity operates. The Canadian dollar is the Company's functional and presentation currency. The functional currency of the subsidiary is also the Canadian dollar. Foreign currency transactions are translated into the functional currency using the 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 in the consolidated statement of comprehensive loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and valuation and evaluation assets acquired in a business combination. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the profit or loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related mineral property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time or any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

When options are granted on exploration and evaluation assets or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Cash Equivalents

Cash equivalents comprise demand deposits, short-term investments and highly liquid investments that are readily convertible into known amounts or cash and which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share- based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to reserves. The fair value of options is determined using a Black–Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of loss and comprehensive loss in the period in which it arises.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

Impairment of Assets

The carrying amounts of the Company's assets (which include equipment and exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment of mineral property exploration interests is generally considered to have occurred if one of the following factors is present: the right to explore has expired or is near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale. An impairment loss is recognized whenever

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets (continued)

the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the higher of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income Taxes

Current income taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company and its subsidiary operate and generate taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

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 Look-back Rule, in accordance with Government of Canada's flow-through regulations. When applicable, this tax is accrued as a financial expense.

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. At June 30, 2018 and 2017, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses.

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. The carrying amount of the replaced part is derecognized. All repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using the declining balance method to allocate the cost of the assets over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Computer hardware and software	30% declining balance
Drilling and exploration equipment	30% declining balance

Depreciation is recorded at one-half rates in the year of acquisition. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Pronouncements

IFRS 9 Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its consolidated financial statements beginning July 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of the Company's financial instruments on the transition date. The adoption of the ECL impairment model did not have an impact on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the Company's consolidated financial statements.

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 Company does not expect any significant impact to the consolidated financial statements from the adoption of IFRS 16.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Computer Hardware and Software	Drilling and Exploration Equipment	Total
	$	$	$
COST			
Balance at June 30, 2017	11,910	2,519	14,429
Additions	4,661	1,759	6,420
Foreign exchange adjustments	-	35	35
Balance at June 30, 2018	16,571	4,313	20,884
Additions	-	-	-
Balance at June 30, 2019	16,571	4,313	20,884
DEPRECIATION			
Balance at June 30, 2017	1,786	-	1,786
Depreciation	3,736	1,027	4,763
Balance at June 30, 2018	5,522	1,027	6,549
Depreciation	3,315	968	4,283
Foreign exchange adjustments	-	(89)	(89)
Balance at June 30, 2019	8,837	1,995	10,832
NET CARRYING AMOUNT AS AT			
June 30, 2018	11,049	3,286	14,335
June 30, 2019	7,734	2,318	10,052

(Expressed in Canadian Dollars)

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 years ended June 30, 2019 and 2018 are summarized in the tables below:

	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

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

	Lithium Salars	Wisa Lake	Champion Graphite	Goodchild	Total
	$	$	$	$	$
Acquisition costs					
Balance, June 30, 2017	831,985	-	130,026	1	962,012
Acquisition - cash	99,684	-	-	-	99,684
Acquisition - shares	340,000	-	-	-	340,000
Balance, June 30, 2018	1,271,669	-	130,026	1	1,401,696
Exploration and evaluation costs					
Balance, June 30, 2017	539,650	-	55,689	-	595,339
Assays and analysis	44,454	-	623	-	45,077
Depreciation	1,027	-	-	-	1,027
Field supplies and miscellaneous	36,000	-	172	-	36,172
Geological consultants	91,493	-	12,375	-	103,868
Legal and administration	28,432	-	-	-	28,432
Permitting and prospecting	7,800	-	-	-	7,800
Taxes and duties	260,125	-	-	-	260,125
Travel and accomodation	6,315	-	-	-	6,315
Balance, June 30, 2018	1,015,296	-	68,859	-	1,084,155
Option payments received	-	(50,000)	-	(30,000)	(80,000)
Gain on farmed-out option	-	50,000	-	29,999	79,999
Total, June 30, 2018	2,286,965	-	198,885	-	2,485,850

(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, Caliguey, 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.

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 – 9,424,785 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

In August 2017, the Company issued 444,444 common shares at the price of $0.765 per share pursuant to the agreement with Hot Spring Mining (note 5(a)).

In October 2017, the Company completed a private placement of 277,778 units at $0.72 per unit for gross proceeds of $200,000. Each unit consists of one common share and one warrant exercisable at $0.99 for 12 months.

In January 2018, the Company closed a private placement of 285,714 units at $0.63 per unit for gross proceeds of $180,000. Each unit comprises one common share and one common share purchase warrant. Each warrant is

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(a) Share issued (continued)

exercisable to acquire one additional common share at $0.99 for 24 months. The Company paid finder's fees of $7,000 and issued 11,111 broker warrants at a fair value of $6,366. The broker warrants have the same terms as the unit warrants.

In April 2018, the Company closed a private placement of 2,756,722 units at $0.36 per unit for gross proceeds of $992,420. Each unit comprises one common share and one-half common share purchase warrant. Each warrant is exercisable to acquire one additional common share at $0.45 for 36 months. The Company issued 122,293 finders' units at a fair value of $85,304 and 172,293 broker warrants at a fair value of $116,308. Each finders' unit comprises one common share and one-half common share purchase warrant ("finders' warrants"). Each finders' warrant and broker warrants are exercisable to acquire one additional common share at $0.45 for 36 months.

(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 years ended June 30, 2019 and 2018 are detailed below.

	Number of Options	Weighted Average Exercise Price
		$
Balance, June 30, 2017	952,447	1.35
Granted	27,778	1.35
Expired	(494,721)	1.29
Balance, June 30, 2018	485,504	0.45
Expired and forfeited	(277,172)	1.20
Balance, June 30, 2019	208,332	1.21

As at June 30, 2019, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Options Exercisable
	$		
September 6, 2020	0.45	27,778	27,778
April 21, 2021	0.63	63,889	63,889
July 27, 2021	3.51	11,111	11,111
December 12, 2021	1.17	44,444	44,444
May 10, 2022	1.35	61,111	61,111
		208,332	208,332

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(b) Stock options (continued)

The weighted average life of the options outstanding and exercisable at June 30, 2019 is 2.44 years (2018 – 3.35 years).

During the year ended June 30, 2019, the Company did not grant any stock options, and recorded share-based payments of $6,776 for options granted in a prior year. The fair value was calculated using the Black-Scholes model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.98%	1.98%
Expected dividend yield	0%	0%
Expected stock price volatility	165%	165%
Expected life in years	2.95	2.95

(c) Warrants

The changes in warrants during the years ended June 30, 2019 and 2018 were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	818,335	1.80
Issued	2,186,404	0.60
Expired	(321,827)	1.59
Balance, June 30, 2018	2,682,912	0.60
Expired	(774,285)	1.48
Balance, June 30, 2019	1,908,627	0.51

Warrants outstanding at June 30, 2019 were as follows:

Expiry Date	Number of Warrants	Exercise Price
		$
January 10, 2020	296,825	0.90
April 13, 2021	1,378,361	0.45
April 13, 2021	233,440	0.36
	1,908,627	

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Warrants (continued)

During the year ended June 30, 2019, the Company did not grant any warrants. The fair value in the prior year was calculated using the Black-Scholes model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	-	1.98%
Expected dividend yield	-	0%
Expected stock price volatility	-	165%
Expected life in years	-	2.95

7. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the years ended June 30, 2019 and 2018:

Payee	Description of Relationship	Nature of Transaction	2019	2018
			$	$
Gordon J. Fretwell Law Corporation	Company controlled by Gorden Fretwell, officer and former director	Legal fees and consulting fees	26,825	54,996
ABR Media Company	Company controlled by the former president, former CEO and a former director	Consulting fees, administration fees and office rent	-	127,667
Allan Laboucan	Former president, former CEO, and a former director	Consulting fees and reimbursement of expenses	-	80,000
Emily Hanson	Former Vice President, Exploration, and former director	Geological consulting fees	33,000	58,500
Gilberto Zapata Castaneda	Former Director, and former CFO	Consulting fees	40,600	11,600
Timothy Mosey	Director	Consulting fees	105,000	-
William Gennen McDowall	Former president, former CEO,	Consulting fees	27,000	79,500
Brandon Rook	CEO and director	Consulting fees	88,000	-
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	Accounting fees	36,000	6,000
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	Accounting fees	14,000	3,000
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, former CFO	Accounting fees	-	19,740

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.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (continued)

Amounts due to related parties as at June 30, 2019 and 2018 were as follows:

Payee	Description of Relationship	2019	2018
		$	$
Gordon J. Fretwell Law Corporation	Company controlled by Gorden Fretwell, officer and former director	15,850	-
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, former CFO	4,620	4,620
Allan Laboucan	Former president, former CEO, and a former director	36	36
Timothy Mosey	Director	39,000	-
William Gennen McDowall	Former president, former CEO, and a former director	-	2,124
Brandon Rook	CEO and director	44,659	-
Todd Hanas	Director	-	-
Golden Tree Capital Corp.	Company controlled by Dong Shim, CFO	14,800	-
SHIM & Associates LLP	Company controlled by Dong Shim, CFO	8,400	-
Emily Hanson	Former Vice President, Exploration, and former director	-	4,536

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-terms benefits and termination benefits were made during the years ended June 30, 2019 and 2018.

Short-term key management compensation consists of the following for the year ended June 30, 2019 and 2018:

	2019	**2018**
	$	$
Professional fees	69,240	57,897
Consulting fees	227,585	203,966
General administrative	40,600	34,640
Geological consulting fees, recorded in exploration and evaluation assets	33,000	129,500
Rent	-	6,000
Share-based payments	6,776	142,606
	377,201	574,609

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 June 30, 2019 and 2018.

(Expressed in Canadian Dollars)

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 June 30, 2019 and 2018 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash and cash equivalents				
June 30, 2019	60,141	-	-	60,141
June 30, 2018	473,267	-	-	473,267

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at June 30, 2019 and 2018 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:

	June 30, 2019	June 30, 2018
	$	$
Fair value through profit and loss (i)	60,141	473,267
Amortized Cost (ii)	1,141,127	518,689

(i) Cash
(ii) Accounts payable

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 June 30, 2019, the Company had cash on hand of $60,141 (2018 - $473,267) available to settle current liabilities of $1,141,127 (2018 - $518,689). 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 June 30, 2019, the Company had net current liabilities of $835,893 (2018 – $444,579) denominated in Mexican Pesos which was translated at 0.06821 pesos to $1 (2018 - 0.069). 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

(Expressed in Canadian Dollars)

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

As at June 30, 2018	Canada	Mexico	Total
	$	$	$
Equipment	11,049	3,286	14,335
Exploration and evaluation assets	198,885	2,286,965	2,485,850

11. INCOME TAXES

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	2019	**2018**
	$	$
Non capital losses	782,000	532,000
Capital losses	47,000	47,000
Exploration and evaluation assets	640,000	585,000
Share issuance costs	17,000	24,000
Other	27,000	15,000
Unrecognized deferred income tax assets	(1,513,000)	(1,203,000)
Net deferred income tax assets		–

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates at 27% (2018 – 26.5%) to the amount reported in these consolidated financial statements:

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

	2019	**2018**
	$	$
Income tax recovery at statutory rate	(204,311)	(236,919)
Non-deductible items	(72,099)	40,382
Income tax rate difference	(1,322)	(2,127)
Income tax rate change and other	(32,286)	(24,311)
Change in unrecognized deferred income tax assets	310,018	222,975
Income tax recovery		-

As at June 30, 2019, the amount of deductible temporary differences for which no deferred tax asset is recognized in the consolidated statements of financial position is mainly the Company's non-capital losses carried forward of approximately $2,745,000 which are available to offset future years' taxable income earned in Canada. Any losses incurred in Mexico are carried forward until utilized. The losses incurred in Canada expire as follows:

	$
2034	124,000
2035	235,000
2036	244,000
2037	559,000
2038	817,000
2039	729,000
	2,745,000

12. SUBSEQUENT EVENT

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.

Subsequent to year-end 44,444 stock options granted to former directors of the Company expired unexercised.