HANNA CAPITAL CORP
(formerly Nitinat Minerals Corporation)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2019 and 2018

To the Shareholders of
Hanna Capital Corp. (formerly Nitinat Minerals Corporation)

Opinion

We have audited the accompanying consolidated financial statements of Hanna Capital Corp. (formerly Nitinat Minerals Corporation) (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these 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 ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit 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 in our audits 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 consolidated financial statements, which indicates that the Company has a working capital deficit of $841,447 and an accumulated deficit of $9,779,382. As stated in Note 1, these events and conditions indicate that these material uncertainties 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. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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 audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

October 28, 2019

HANNA CAPITAL CORP
(formerly Nitinat Minerals Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT JUNE 30,

		2019		2018
ASSETS				
Current assets				
Cash	**$**	**353**	$	51,157
Amounts receivable *(Note 5)*		**58,340**		34,015
		58,693		85,172
Reclamation bond		**5,000**		5,000
Note receivable *(Note 6)*		**1**		1
Due from related parties *(Note 12)*		**17,018**		104,741
Exploration and evaluation assets *(Note 7)*		**1,211,406**		1,191,606
TOTAL ASSETS	**$**	**1,292,118**	$	1,386,520
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (*Note 8)*	**$**	**900,140**	$	671,995
TOTAL LIABILITIES		**900,140**		671,995
SHAREHOLDES' EQUITY				
Share capital *(Note 9)*		**8,641,245**		8,579,885
Reserves		**1,530,115**		1,530,115
Accumulated deficit		**(9,779,382)**		(9,395,475)
		391,978		714,525
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**1,292,118**	$	1,386,520

Nature of operations and going concern *(Note 1)*
Contingencies *(Note 15)*

On behalf of the Board:

"Vern Bock" Director

"Herbert Brugh" Director

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

HANNA CAPITAL CORP

(formerly Nitinat Minerals Corporation)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEAR ENDED JUNE 30,

		2019		2018
OPERATING EXPENSES				
General and administrative expenses *(Note 14)*	$	383,907	$	260,199
OPERATING LOSS		(383,907)		(260,199)
Gain on extinguishment of accounts payable *(Note 8)*		-		127,291
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	(383,907)	$	(132,908)
Basic and diluted loss per common share	$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding - Basic and diluted		32,894,398		26,533,858

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

HANNA CAPITAL CORP

(formerly Nitinat Minerals Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED JUNE 30,

		2019		2018
Operating activities				
Net loss for the year	$	(383,907)	$	(132,908)
Items not affecting cash:				
Gain on extinguishment of accounts payable		-		(127,291)
Change in non-cash working capital:				
Receivables		(24,325)		(17,353)
Amounts payable and accrued liabilities		228,145		62,609
Net cash used in operating activities		(180,087)		(214,943)
Investing activities				
Expenditures on exploration and evaluation assets		(19,800)		(116,986)
Net cash used in investing activities		(19,800)		(116,986)
Financing activities				
Advances from related party		87,723		(123,254)
Proceeds from the issuance of share capital		31,400		527,917
Share issuance costs		-		(21,887)
Proceeds from warrants exercised		29,960		-
Net cash provided by financing activities		149,083		382,776
Net change in cash during the year		(50,804)		50,847
Cash – beginning of year		51,157		310
Cash – end of year	$	353	$	51,157

SUPPLEMENTAL INFORMATION

Issuance of common shares for exploration and evaluation assets	$	-	$	164,500
Share issuance costs – finder's warrants	$	-	$	21,219
Settlement of accounts payable with proceeds from warrants exercised	$	-	$	30,000

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

HANNA CAPITAL CORP

(formerly Nitinat Minerals Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Shares	Share Capital	Reserve	Deficit	Total
Balance at June 30, 2017	23,089,753	$ 7,900,573	$ 1,508,896	$ (9,262,567)	$ 146,902
Shares issued for private placements	5,204,100	260,205	-	-	260,205
Share issuance for evaluation and exploration assets	500,000	164,500	-	-	164,500
Share issuance costs – cash	-	(21,886)	-	-	(21,886)
Share issuance costs – finder's warrants	-	(21,219)	21,219	-	-
Warrants exercised	3,383,000	297,712	-	-	297,712
Net loss for the year	-	-	-	(132,908)	(132,908)
Balance at June 30, 2018	32,176,853	$ 8,579,885	$ 1,530,115	$ (9,395,475)	$ 714,525
Warrants exercised	428,000	29,960	-	-	29,960
Shares issued for private placements	428,000	31,400	-	-	31,400
Net loss for the year	-	-	-	(383,907)	(383,907)
Balance at June 30, 2019	33,032,853	$ 8,641,245	$ 1,530,115	$ (9,779,382)	$ 391,978

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hanna Capital Corp formerly Nitinat Minerals Corporation (the "Company") was incorporated under the laws of the State of Nevada on June 1, 2004 under the name of "Assal Metallo, Inc.". On June 20, 2007, the Company was continued under the laws of the Province of Alberta and on July 19, 2007, it was continued under the laws of the Province of Ontario, at which time the name was changed to Nitinat Minerals Corporation pursuant to Articles of Continuance dated June 22, 2007. On October 17, 2019, the Company changed its name to Hanna Capital Corp. The primary office of the Company is located at 1800-130 King Street West, Toronto, ON, M5X 1E3. The Company's shares are traded on the TSX Venture Exchange ("TSXV") under the stock symbol HCC.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue and has an accumulated deficit of $9,779,382. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

As at June 30, 2019, the Company had a working capital deficit of $841,447. As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its exploration and evaluation costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful exploration and evaluation of the property. The Company has financed its activities through the issuance of equity securities and debt financing. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining. To date, the Company has not earned any revenues. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the consolidated financial statements are presented below and are based on IFRS' issued and outstanding as of October 28, 2019 the date the Board of Directors approved the consolidated financial statements.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, Taman Petroleum Corporation ("Taman") which is inactive. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

Adoption of New IFRS Pronouncements

The Company adopted IFRS 15 and IFRS 9 (as listed below) as at July 1, 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Revenue Recognition

The Company adopted IFRS 15: Revenue from contracts with customers ("IFRS 15") on July 1, 2018 in accordance with the transitional provisions of the standard. The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Based on management's analysis, there is no impact under IFRS 15 and therefore no cumulative effect was recognized on initial adoption.

Financial Instruments

The Company adopted IFRS 9: Financial instruments ("IFRS 9") on July 1, 2018 in accordance with the transitional provisions of the standard. The Company elected not to adopt the hedging requirements of IFRS 9 at this time but may adopt them in a future period.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39").

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss, fair value through other comprehensive income and amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and determined IFRS 9 has no quantitative impact on the Company's financial statement as at July 1, 2018.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

The carrying value and the recoverability of exploration and evaluation assets - Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Share-based compensation - The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and 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 the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgments (continued)

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(i) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the parent Company as well as the Company's subsidiaries is the Canadian dollar.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Earnings (loss) per share ("EPS")

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets is written down to its net realizable value.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as gain on option agreement in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation 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 rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation 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 rehabilitation 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 or loss for the period.

Share-based compensation

The Company grants share purchase options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of share purchase options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of share purchase options is credited to share capital.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Cash, amounts receivable, reclamation bond, note receivable and due from related parties are measured at amortized cost with subsequent impairments recognized in profit or loss.

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. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified and measured at amortized cost on the statement of financial position.

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted the following standard and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 16 *Leases* is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company does not expect that the standard will have any impact on its consolidated financial statements other than increased levels of note disclosure.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company's capital structure to primarily consist of the components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

3. CAPITAL MANAGEMENT (CONTINUED)

There were no changes in the Company's approach to capital management during the year ended June 30, 2019.

4. FINANCIAL RISK MANAGEMENT

Financial risk

The Company's financial instruments consist of cash, amounts receivable, reclamation bond, note receivable, due from related parties, and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks and that the carrying values of these financial instruments approximate their fair values.

(i) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2019, the Company had a working capital deficit of $841,447 (June 30, 2018 - working capital deficit of $586,823). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(ii) Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Company's credit risk is primarily attributable to cash, amounts receivable, and due from related parties. The Company's cash is held with a major Canadian based financial institution, from which management believes the risk of loss to be minimal.

(iii) Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk
The Company has cash balances and no interest-bearing debt as at June 30, 2019. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Commodity and equity price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of current and future exploration and development depend upon the world market price of precious and base metals. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

5. AMOUNTS RECEIVABLE

	June 30, 2019	June 30, 2018
Harmonized sales tax recoverable	**$ 58,340**	$ **34,015**

6. NOTE RECEIVABLE

During the year ended June 30, 2013, the Company acquired its subsidiary, Taman Petroleum Corporation ("Taman"). Taman has an 8% interest in a Russian private company, Techniton LLC ("Techniton"). Techniton has a 100% interest in the South Temryuk Oil & Gas Exploration-Exploitation Licence located in the mature Azov-Kuban petroleum region of southwest Russia. During the year ended June 30, 2013, the Company wrote-down its investment in Techniton to $nil.

During the year ended June 30, 2014, the Company loaned Techniton $300,000, proceeds from the private placement completed during that year.

As at June 30, 2014, the Company decided to write-down the note receivable from Techniton to $1 based on uncertainty of collection.

7. EXPLORATION AND EVALUATION ASSETS

Title to mineral property o f interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest in are located in Canada.

	Jasper Property	Carscallen Property	Total
Balance, June 30, 2017	$ 681,120	$ 229,000	$ 910,120
Acquisition costs – cash	-	75,000	75,000
Acquisition costs – shares	-	164,500	164,500
Consulting	22,257	-	22,257
Data analysis	19,729	-	19,729
Balance, June 30, 2018	723,106	468,500	1,191,606
Data analysis	-	19,800	19,800
Balance, June 30, 2019	$ 723,106	$ 488,300	$ 1,211,406

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Carscallen Property, Ontario

In October 2016, the Company signed an assignment agreement (the "Agreement") with Silk Energy Limited formerly Inspiration Mining Corp ("Silk"), a company related by a common director, to acquire a 100% interest in certain mining claims west of the City of Timmins known as the Carscallen Property (the "Property"). Pursuant to the terms and conditions of the Agreement, the Company will earn the 100% interest by:

- Cash payment of $40,000 on execution of this agreement (paid);
- Share payment of 2,200,000 common shares of the Company (issued with a value of $193,500);
- Cash payment of $20,000 on October 19, 2017 (paid); and
- Cash payment of $40,000 on October 19, 2018 (paid).

The acquisition of the Property is subject to underlying conditions:

- In the event that the Company is able to obtain an intersection of at least 3 grams of gold per ton over one meter, the Company will be required to issue an additional 2,400,000 common shares to Silk;

- In the event that the Company is able to establish a commercial mine of at least a 250,000 ton ore body having a minimum grade of 2 grams of gold per ton, the Company will be required to issue an additional 2,400,000 common shares to Silk;

- Upon the payment of the option payments of October 19, 2017 and 2018, the Company will have an undivided 100% interest in the Property subject to a 2% net smelter royalty ("NSR") in favour of the original optionors. The Company shall have the right to purchase 1% of the 2% NSR royalty for an aggregate cash payment of $1,000,000. In addition, the Company also assumes the obligation from Silk whereby the Company will grant a 1% NSR in favour of the individual who assigned the original option agreement to Silk. Under the assignment agreement between Silk and this individual, this 1% NSR can be purchased for $2,000,000; and

During the year ended June 30, 2018, the Company entered into an option agreement with two arm's length parties to acquire an 100% interest in claims adjacent to the Property.

Pursuant to the terms of the agreement, the Company is required to pay the following as considerations:

- Cash payment of $65,000 on or before January 10, 2020 ($15,000 paid); and
- Share payment of 1,000,000 common shares of the Company on or before January 10, 2020 (400,000 shares issued with value of $160,000).

Jasper Property, British Columbia

Pursuant to a purchase agreement dated December 1, 2007, the Company purchased the Jasper Property from Silk in exchange for 1,336,790 special warrants ("Silk Special Warrants") valued at $2,063,208. On November 2, 2009, 1,336,790 Silk Special Warrants were converted automatically without further consideration into 1,336,790 common shares of the Company. The Jasper Property is located on west-central Vancouver Island, British Columbia. In May 2010, a director of Silk became a director of the Company.

During the year ended June 30, 2014, the Company recorded an impairment charge of $1,872,334 on the Jasper Property due to the Company's decision to discontinue work on certain claims.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2019		June 30, 2018
Accounts payable	**$**	**681,640**	$	497,095
Accrued liabilities		**218,500**		174,900
	$	**900,140**	$	671,995

During the year ended June 30, 2018, the Company derecognized accounts payable totaling $103,318 to a vendor that has suspended business and declared bankruptcy since 2015. Accordingly, the Company recorded a gain on extinguishment of accounts payable of $103,318.

9. SHARE CAPITAL

(a) Authorized and issued share capital

The authorized share capital consists of an unlimited number of common shares, without par value and an unlimited number of preferred shares, without par value. All issued shares are fully paid.

During the year ended June 30, 2019, the Company:

i) completed a private placement of 28,000 units at a price of $0.05 per unit for gross proceeds of $1,400. Each unit consists of one common share and one share purchase warrant. Each full warrant will entitle the holder to purchase one additional share at $0.07 until December 28, 2022. The Company issued 28,000 broker warrants as finders fees which have the same terms and conditions as the private placement warrants.

ii) issued 428,000 common shares pursuant to the exercise of warrants for the gross proceeds of $29,960.

iii) completed a private placement of 400,000 shares at a price of $0.075 per share for gross proceeds of $30,000.

During the year ended June 30, 2018, the Company:

iv) issued 500,000 common shares with a fair value of $164,500 pursuant to the acquisition of Carscallen Property *(Note 7).*

v) issued 3,383,000 common shares pursuant to the exercise of warrants for the gross proceeds of $297,712.

vi) completed a private placement of 5,204,100 units for a gross proceeds of $260,205. Each unit consists of one common share and one share purchase warrant. Each full warrant will entitle the holder to purchase one additional share at $0.07 until December 28, 2022.

In connection with the issuance of the units, the Company paid finders' fees of $21,886 in cash and issued 408,328 finders' warrants (valued at $21,219) exercisable at $0.05 per unit until December 28, 2022. Each unit is comprised of one common share and one warrant exercisable at $0.07 per warrant until December 28, 2022.

10. WARRANTS

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	4,123,500	$ 0.09
Granted	5,612,428	0.07
Exercised	(3,383,000)	0.09
Balance, June 30, 2018	6,352,928	0.07
Granted	56,000	0.07
Exercised	(428,000)	0.07
Expired	(740,500)	0.10
Balance, June 30, 2019	5,240,428	$ 0.07

The following are the warrants outstanding at June 30, 2019:

Number of Warrants	Exercise Price ($)	Remaining Contractual Life (years)	Expiry Date
4,832,100	0.07	3.50	December 28, 2022
408,328	0.05	3.50	December 28, 2022

11. STOCK OPTIONS

The Company has an incentive stock option plan in place with the TSX Venture Exchange ("TSXV"), under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company has implemented a fixed plan, whereby it may not exceed a total of 7,930,000 options under the plan. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The options can be granted for a maximum term of five years and vest as determined by the Board of Directors.

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2017	322,100	$ 2.00
Expired	(87,500)	2.00
Balance, June 30, 2018	234,600	2.00
Expired	(234,600)	2.00
Balance, June 30, 2019	-	$ -

12. RELATED PARTY TRANSACTIONS

		Year Ended June 30, 2019	Year Ended June 30, 2018
Adrea Capital Corporation ("Adrea")	(i)	$ 60,000	$ 60,000
Herb Brugh	(ii)	108,676	57,440
Vern Bock	(iv)	36,000	-
Victor Cantore	(vi)	37,000	-
		$ 241,676	$ 99,199

i) D. Randall Miller, a director of Silk, a related company under common control, controls Adrea. During the year ended June 30, 2019, the Company paid or accrued Adrea $60,000 (2018 - $60,000), in management fees. Management fees are included in office and miscellaneous. As at June 30, 2019, this company was owed $80,150 (June 30, 2018 - $72,995) which is included in accounts payable and accrued liabilities. Beginning July 1, 2015, this amount bears an interest rate of 6% per annum. During the year ended June 30, 2019, the Company accrued $nil (2018 - $nil) in interest to Adrea.

ii) For the year ended June 30, 2019, the Company expensed $79,039 (2018 - $38,294) to Herb Brugh for Chief Executive Officer fees and $29,637 (2018 - $19,146) for administration fees. Included in the June 30, 2019 accounts payable and accrued liabilities is $215,328 due to Herb Brugh (June 30, 2018 - $106,652).

iii) As at June 30, 2019, the Company owed Silk $15,521 (June 30, 2018 – Silk owed $92,112) and the amount is unsecured and due on demand. Beginning July 1, 2015, this amount bears an interest rate of 6% per annum. During the year ended June 30, 2019, the Company accrued $nil (2018 - $nil) in interest to Silk.

iv) For the year ended June 30, 2019, the Company expensed $36,000 (2018 - $nil) to Vern Bock, a director of the Company, for consulting fees. Included in the June 30, 2019 accounts payable and accrued liabilities is $38,002 due to Vern Bock (June 30, 2018 - $2,002).

v) As at June 30, 2019, Martina Minerals Corp., a company related by way of a common director, owed the Company $32,539 (June 30, 2018 - $12,629) and the amount is unsecured and due on demand.

vi) For the year ended June 30, 2019, the Company expensed $37,000 (2018 - $nil) to Victor Cantore, a director of the Company, for consulting fees. Included in the June 30, 2019 accounts payable and accrued liabilities is $37,000 due to Victor Cantore (June 30, 2018 - $nil).

Balances due to related parties bear no interest, unless otherwise stated, are due on demand and has no fixed term of repayment.

13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to income tax recovery presented in the accompanying statements of loss and comprehensive loss is provided below:

		2019		2018
Loss before income taxes	$	(383,907)	$	(132,908)
Expected income tax (recovery)		(104,000)		(35,000)
Change in statutory, foreign tax, foreign exchange rates and other		(1,000)		(33,000)
Share issue cost		-		(6,000)
Change in unrecognized deductible temporary differences		105,000		74,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2019		2018
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	427,000	$	426,000
Share issue costs		4,000		5,000
Loans receivable		362,000		362,000
Allowable capital losses		84,000		84,000
Non-capital losses available for future period		956,000		851,000
		1,833,000		1,728,000
Unrecognized deferred tax assets		(1,833,000)		(1,728,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

The Company has non-capital losses for Canadian income tax purposes of approximately $3,540,000 (2018 - $3,150,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2039.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. GENERAL AND ADMINISTRATIVE

		June 30, 2019		June 30, 2018
Accounting and audit fees	$	14,029	$	29,761
Investor relations		1,762		21,284
Legal fees		5,000		5,000
Office and administration *(Note 12)*		66,327		35,860
Consulting fees		152,789		38,294
Management fees		120,000		106,000
Rent		24,000		24,000
	$	383,907	$	260,199

15. CONTINGENCIES

In August 26, 2016 litigation was commenced against the Company, its office and directors by the former CFO and accountant for the Company's CFO and accounting services. The Company is of the opinion that the claim against the directors and officers is without merit. At June 30, 2018, the Company had a litigation provision of $50,513 in regard to its litigation exposure recorded in accounts payable.

During the year ended June 30, 2018, the Company entered into a final mutual release agreement to settle the debt. The outstanding amount due to the former CFO has been reduced to $26,540. Accordingly the Company recorded gain on extinguishment of accounts payable of $23,973.