



**Condensed Interim Financial Statements *(Unaudited)***

**Six Months Ended  
June 30, 2019 and 2018**

### **Management's Responsibility for Financial Reporting**

The accompanying condensed interim financial statements (*unaudited*) for Mistango River Resources Inc. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards consistently applied ("IFRS"). These financial statements have been prepared on a historical cost basis with the exception of financial instruments that are classified as fair value through profit and loss. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

"Robert J. Kasner", President and CEO  
Robert J. Kasner

"Carina Da Mota", CFO  
Carina Da Mota

### **Notice of No Auditor Review of Interim Financial Statements**

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

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

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

## Mistango River Resources Inc.

### Condensed Interim Statements of Financial Position (Unaudited)

(Expressed in Cdn\$)

| <b>As at</b>                                      | <b>June 30, 2019</b> | December 31,<br>2018 |
|---|----------------------|----------------------|
| <b>Assets</b>                                     |                      | <i>(Audited)</i>     |
| <b>Current</b>                                    |                      |                      |
| Cash (Note 3)                                     | \$ 472,809           | \$ 12,983            |
| Due from related parties (Note 7)                 | 244                  | 14,635               |
| HST recoverable                                   | 14,525               | 4,798                |
| Prepaid expense                                   | 3,559                | -                    |
|   | <b>491,137</b>       | 32,416               |
| <b>Investments (Note 4)</b>                       | <b>8,783</b>         | 3,345                |
| <b>Property, plant and equipment (Note 5)</b>     | <b>52,145</b>        | 57,940               |
|   | <b>\$ 552,065</b>    | \$ 93,701            |
| <b>Liabilities</b>                                |                      |                      |
| <b>Current</b>                                    |                      |                      |
| Accounts payable and accrued liabilities (Note 6) | \$ 119,843           | \$ 24,708            |
| <b>Shareholders' Equity</b>                       |                      |                      |
| Common share capital (Note 8)                     | 21,382,413           | 21,061,066           |
| Share-based payments reserve                      | 70,000               | 70,000               |
| Contributed surplus                               | 4,676,594            | 4,676,594            |
| Deficit   | (25,667,970)         | (25,704,414)         |
| Accumulated other comprehensive loss              | (28,815)             | (34,253)             |
|   | <b>432,222</b>       | 68,993               |
|   | <b>\$ 552,065</b>    | \$ 93,701            |

*Nature of Operations and Going Concern (Note 1)*

Approved on behalf of the Board on August 29, 2019:

"Robert J. Kasner", Director

"Michael Demers", Director

*The accompanying notes are an integral part of these condensed interim financial statements (unaudited)*

## Mistango River Resources Inc.

### Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)

(Expressed in Cdn\$)

|  | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|--|-----------------------------|---------------------|---------------------------|---------------------|
|  | 2019                        | 2018                | 2019                      | 2018                |
| <b>Expenses</b>                                  |                             |                     |                           |                     |
| Management and consulting fees (Note 7)          | \$ 20,000                   | \$ 24,000           | \$ 40,000                 | \$ 48,000           |
| Salaries and benefits (recovered)                | 22,302                      | (609)               | 44,603                    | 6,114               |
| Share-based compensation (Note 8)                | -                           | -                   | -                         | 35,000              |
| Professional fees                                | 5,920                       | 1,775               | 7,670                     | 3,525               |
| Office, general and administrative               | 10,073                      | 9,521               | 23,225                    | 17,655              |
| Shareholder Information                          | 10,712                      | 8,465               | 14,035                    | 16,240              |
| Amortization                                     | 2,899                       | 3,622               | 5,795                     | 7,243               |
| Hostile takeover defense (Note 14)               | 37,417                      | -                   | 37,417                    | -                   |
| Exploration and evaluation expenditures (Note 9) | 3,788                       | 83,351              | 15,811                    | 128,295             |
|  | 113,111                     | 130,125             | 188,556                   | 262,072             |
| Gains on sale of royalties (Note 13)             | (225,000)                   | -                   | (225,000)                 | -                   |
| <b>Net Income (Loss)</b>                         | <b>111,889</b>              | <b>(130,125)</b>    | <b>36,444</b>             | <b>(262,072)</b>    |
| Unrealized gain on investments                   | 5,438                       | -                   | 5,438                     | -                   |
| <b>Comprehensive Income (Loss)</b>               | <b>\$ 117,327</b>           | <b>\$ (130,125)</b> | <b>\$ 41,882</b>          | <b>\$ (262,072)</b> |
| <b>Net Income (Loss) per Share</b>               |                             |                     |                           |                     |
| Basic  | \$ 0.003                    | \$ (0.003)          | \$ 0.001                  | \$ (0.007)          |
| Fully diluted                                    | 0.003                       | (0.003)             | 0.001                     | (0.007)             |
| Weighted average number of shares outstanding    |                             |                     |                           |                     |
| Basic  | 41,323,700                  | 39,573,500          | 40,452,400                | 39,573,500          |
| Fully diluted                                    | 42,851,700                  | 39,573,500          | 41,952,400                | 39,573,500          |

The accompanying notes are an integral part of these condensed interim financial statements (unaudited)

## Mistango River Resources Inc.

### Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency in Assets) (Unaudited)

(Expressed in Cdn\$)

|  | <u>Common Share Capital</u> |                      | Share-<br>Based<br>Payments<br>Reserve | Contributed<br>Surplus | Deficit                | Accumulated<br>Other<br>Comprehensive<br>Loss | Net                 |
|--|-----------------------------|----------------------|--|------------------------|------------------------|---|---------------------|
|  | No. of Shares               | Amount               |  |                        |                        |   |                     |
| Balance at                             |                             |                      |  |                        |                        |   |                     |
| December 31, 2017                      | 39,573,481                  | \$ 21,061,066        | \$ 35,000                              | \$ 4,676,594           | \$ (25,670,849)        | \$ (32,165)                                   | \$ 69,646           |
| Net loss and comprehensive<br>loss     | -                           | -                    | -                                      | -                      | (262,072)              | -   | (262,072)           |
| Share-based compensation               | -                           | -                    | 35,000                                 | -                      | -                      | -   | 35,000              |
| <b>Balance at June 30, 2018</b>        | <b>39,573,481</b>           | <b>\$ 21,061,066</b> | <b>\$ 70,000</b>                       | <b>\$ 4,676,594</b>    | <b>\$ (25,932,921)</b> | <b>\$ (32,165)</b>                            | <b>\$ (157,426)</b> |
| Balance at                             |                             |                      |  |                        |                        |   |                     |
| December 31, 2018                      | 39,573,481                  | \$ 21,061,066        | \$ 70,000                              | \$ 4,676,594           | \$ (25,704,414)        | \$ (34,253)                                   | \$ 68,993           |
| Shares issued for cash                 | 15,909,090                  | 350,000              | -                                      | -                      | -                      | -   | 350,000             |
| Share issue costs                      |                             | (28,653)             | -                                      | -                      | -                      | -   | (28,653)            |
| Net income and<br>comprehensive income |                             | -                    | -                                      | -                      | 36,444                 | 5,438   | 41,882              |
| <b>Balance at June 30, 2019</b>        | <b>55,482,571</b>           | <b>\$ 21,382,413</b> | <b>\$ 70,000</b>                       | <b>\$ 4,676,594</b>    | <b>\$ (25,667,970)</b> | <b>\$ (28,815)</b>                            | <b>\$ 432,222</b>   |

The accompanying notes are an integral part of these condensed interim financial statements (unaudited)

## Mistango River Resources Inc.

### Condensed Interim Statements of Cash Flows (Unaudited)

(Expressed in Cdn\$)

| <b>Six Months Ended June 30,</b>   | <b>2019</b>       | <b>2018</b>       |
|--|-------------------|-------------------|
| <b>Operations</b>  |                   |                   |
| Net income (loss)  | \$ 36,444         | \$ (262,072)      |
| Adjustments to reconcile net income (loss) to cash flow from operating activities: |                   |                   |
| Gain on sale of royalties  | (225,000)         | -                 |
| Share-based compensation   | -                 | 35,000            |
| Amortization   | 5,795             | 7,243             |
| Net change in non-cash operating working capital items:                            |                   |                   |
| Due from related parties   | 14,391            | (7,611)           |
| HST recoverable  | (9,727)           | (1,671)           |
| Prepaid expense  | (3,559)           | -                 |
| Accounts payable and accrued liabilities   | 95,135            | 4,426             |
| <b>Cash Used In Operating Activities</b>   | <b>(86,521)</b>   | <b>(224,685)</b>  |
| <b>Financing</b>   |                   |                   |
| Shares issued for cash, net of issue costs   | 321,347           | -                 |
| <b>Cash From Financing Activities</b>  | <b>321,347</b>    | <b>-</b>          |
| <b>Investing</b>   |                   |                   |
| Proceeds from sale of royalties  | 225,000           | -                 |
| <b>Cash From Investing Activities</b>  | <b>225,000</b>    | <b>-</b>          |
| <b>Net Increase (Decrease) in Cash</b>   | <b>459,826</b>    | <b>(224,685)</b>  |
| Cash at beginning of period  | 12,983            | 366,683           |
| <b>Cash at End of Period</b>   | <b>\$ 472,809</b> | <b>\$ 141,998</b> |

The accompanying notes are an integral part of these condensed interim financial statements (unaudited)

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (*Unaudited*)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

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### 1. Nature of Operations and Going Concern Considerations

Mistango River Resources Inc. ("Mistango" or the "Company") is a federally incorporated company. The Company's head office is located at 4 Al Wende Ave., Kirkland Lake, Ontario P2N 3J5. Mistango's principal business is the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenue as it is in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at June 30, 2019, the Company had cash of \$472,809 (December 31, 2018 - \$12,983), and a working capital of \$371,294 compared to working capital of \$7,708 at December 31, 2018. Mistango had deficit of \$25,667,970 at June 30, 2019, (December 31, 2018 - \$25,704,414) and expects to incur further losses in the development of its business. These financial results cast doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage, as such it has neither proven reserves nor production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain the financing necessary to achieve profitable operations.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve months. However, management plans on securing additional financing through the issue of new equity, debt and/or the sale or non-core assets. There is however no assurance that these initiatives will be successful.

These financial statements have been prepared based on accounting principles applicable to a going concern. These accounting principles assume that Mistango will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The business of exploring for minerals involves a high degree of risk. As such, there is neither a guarantee that the Company's exploration programs will yield positive results nor that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral properties.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying value of the assets and liabilities, reported expenses, and the statement of financial position classifications used in the financial statements.

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures, however, do not guarantee the Company's title to these assets. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (*Unaudited*)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

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## 2. Basis of Preparation

### 2.1 Statement of compliance

These condensed interim financial statements (*unaudited*) were prepared in accordance with International Accounting Standards ("IAS") 34 '*Interim financial reporting*' using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements (*unaudited*) were authorized for issuance by Mistango's Board of Directors on August 29, 2019.

### 2.2 Basis of presentation

These condensed interim financial statements (*unaudited*) were prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements as at and for the year ended December 31, 2018. Management advises users of these condensed interim financial statements (*unaudited*) to read them in conjunction with these audited financial statements and accompanying notes thereto.

### 2.3 New and amended accounting standards

#### ***IFRS 9 - Financial Instruments***

IFRS 9 was issued in July 2014 by the IASB and it replaces IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple in IAS 39. The approach in IFRS 9 is based on how an entity manages in financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method used, replacing the multiple impairment methods in IAS 9. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements are expected to be of particular interest to non-financial institutions. The adoption of this IFRS is reflected in the financial statements.

### 2.4 Use of management estimates, judgements and measurement uncertainty

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make judgements and estimates and develop assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable, under the given circumstances, as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to the valuation of deferred tax amounts and the calculation of share-based payments. Significant estimates and judgements made by management in the preparation of these financial statements are outlined as follows:



# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited) Six Months Ended June 30, 2019 and 2018 (Expressed in Cdn\$)

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### 2. Basis of Preparation (Continued)

#### 2.4 Use of management estimates, judgements and measurement uncertainty (Continued)

##### **Going concern assumption**

The going concern presentation of the financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

##### **Measurement of financial instruments under Level 1 of the fair value hierarchy**

Management is required to make judgements on whether its marketable securities have sufficient trading volume and reasonable bid-ask spread to determine if they are active enough to be measured at Level 1 of the fair value hierarchy or if other levels are more appropriate.

##### **Investments**

Investments are represented by equity instruments in Canadian based companies whose shares are traded on a recognized Canadian stock exchange. These FVTOCI investments have been measured at their fair value as determined by the closing bid price of the securities, as at the date of the statement of financial position, with the corresponding changes in fair value recorded in accumulated other comprehensive loss.

##### **Calculation of share-based compensation**

The Black-Scholes option pricing model is used to determine the fair value of share-based compensation. The use of subjective analysis and judgement is required in determining the inputs required for this pricing model. Changes in the estimates for these inputs may significantly affect the fair value estimate of share-based payments.

##### **Income taxes**

Canadian income tax legislation, and regulations are subject to changes and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred income taxes. Assessing the recoverability of deferred income tax assets requires a business to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. Mistango, however, is in the exploration stage of its business development, as such it is not expected to recognize any deferred income taxes in the foreseeable future.

### 3. Cash

Cash includes \$350,000 in funds received through the issuance of flow-through common shares. (see Note 8). These flow-through funds may only be used to pay for exploration expenditures incurred subsequent to the date the flow-through common shares were issued. As at June 30, 2019 none of these flow-through funds were utilized.

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 4. Investments

Investments are comprised of the followed:

|   | No. of Shares | June 30,<br>2019 | December 31,<br>2018 |
|---|---------------|------------------|----------------------|
| Cost of investments in publicly listed companies                                    |               |                  |                      |
| RJK Explorations Ltd.   | 83,512        | \$ 37,580        | \$ 37,580            |
| Strategic Resources Inc.  | 23            | 18               | 18                   |
| Provision for unrealized losses included in<br>accumulated other comprehensive loss |               | (28,815)         | (34,253)             |
|   |               | <b>\$ 8,783</b>  | <b>\$ 3,345</b>      |

### 5. Equipment

Equipment is comprised of the following:

|   | Exploration<br>Equipment | Office<br>Furniture and<br>Equipment | Total             |
|---|--------------------------|--------------------------------------|-------------------|
| <b>Cost</b>   |                          |                                      |                   |
| As at December 31, 2017 and 2018<br>and June 30, 2019 | \$ 193,248               | \$ 36,776                            | \$ 230,024        |
| <b>Accumulated amortization</b>                       |                          |                                      |                   |
| Balance at December 31, 2017                          | \$ 121,932               | \$ 35,667                            | \$ 117,599        |
| Amortization expense                                  | 7,132                    | 111                                  | 7,243             |
| Balance at March 31, 2018                             | 129,064                  | 35,778                               | 164,842           |
| <b>Accumulated amortization</b>                       |                          |                                      |                   |
| Balance at December 31, 2018                          | \$ 136,195               | \$ 35,889                            | \$ 172,084        |
| Amortization expense                                  | 5,706                    | 89                                   | 5,795             |
| <b>Balance at June 30, 2019</b>                       | <b>\$141,901</b>         | <b>\$35,978</b>                      | <b>\$ 177,879</b> |
| <b>Net book value</b>                                 |                          |                                      |                   |
| Balance at June 3, 2018                               | \$ 64,184                | \$ 998                               | \$ 65,182         |
| <b>Balance at June 30, 2019</b>                       | <b>\$ 51,347</b>         | <b>\$ 798</b>                        | <b>\$ 52,145</b>  |

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. Normal credit terms for trade is thirty days, except for amounts due from related parties which may be voluntarily extended by the related parties.

The following is a summary aging analysis of these liabilities:

|                   | June 30,<br>2019 | December 31,<br>2018 |
|-------------------|------------------|----------------------|
| Less than 1 month | \$ 76,262        | \$ 20,075            |
| 31 to 90 days     | 15,645           | 3,537                |
| Less than 1 year  | 29,353           | 1,096                |
|                   | \$ 121,260       | \$ 24,708            |

Included in these amounts are the following amounts owing to related parties:

|   | June 30,<br>2019 | December 31,<br>2018 |
|---|------------------|----------------------|
| Office rent owing to a company controlled by the C.E.O.     | \$ 12,568        | \$ -                 |
| Management fees owing to a company controlled by the C.E.O. | 39,550           | -                    |
| Consulting fees owing to the C.F.O.                         | 1,000            | -                    |
| Salary owing to the C.O.O.                                  | 2,788            | -                    |
|   | \$ 55,906        | \$ -                 |

### 7. Related Parties Transactions and Balances

The due from related parties, which are due under normal trade terms, is comprised of the following:

|  | June 30,<br>2019 | December 31,<br>2018 |
|--|------------------|----------------------|
| Due from RJK Explorations Ltd. for its<br>share of salaries and other shared costs | \$ 244           | \$ 3,053             |
| Due from Mistango's C.O.O.   | -                | 11,582               |
|  | \$ 244           | \$ 14,635            |

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 7. Related Parties Transactions and Balances (Continued)

RJK Explorations Ltd. is a junior mineral exploration company listed on the TSX-Venture exchange whose C.E.O. was also Mistango's Vice-President of Exploration until his departure from the Company in July 2018. RJK Explorations Ltd.'s C.E.O. is a sibling to Mistango's C.E.O.

Key management includes the Company's directors, officers, and employees with the authority and responsibility for either directly or indirectly planning, directing and controlling the activities of the Company. Key management compensation and other related party transactions are as follows:

| <b>Three months ended June 30,</b>                  | <b>2019</b>      | <b>2018</b>       |
|---|------------------|-------------------|
| Short-term employee compensation                    |                  |                   |
| included in exploration and evaluation expenditures | \$ -             | \$ 84,580         |
| C.O.O.'s salaries and benefits                      | <b>44,603</b>    | -                 |
| Management fees for C.E.O.'s services               | <b>30,000</b>    | 30,000            |
| Commercial office rent                              | <b>11,123</b>    | 11,123            |
| Consulting fees for current C.F.O.                  | <b>10,000</b>    | -                 |
| Consulting fees for former CFO's services           | -                | 18,000            |
| Share-based compensation                            | -                | 35,000            |
| <b>Total compensation paid to key management</b>    | <b>\$ 95,726</b> | <b>\$ 178,703</b> |

A corporate entity that is controlled by Mistango's CEO and director rents commercial office space to Mistango. Mistango rents this office on a month-to-month basis.

Management believes that all transactions were conducted in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration established and agreed to by the related parties.

#### **Due from Related Parties**

The Company shared an administrative employee with a related company, RJK Explorations Ltd., until July 2018 when this employee was terminated. During the six months ended June 30, 2018 Mistango charged this related company \$20,250 for this employee's services on a cost recovery basis. As at June 30, 2019 this related company owed Mistango \$224 for miscellaneous shared costs.

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 8. Share Capital

#### Common shares

Mistango's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of \$1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

On June 20, 2019 the Company issued 15,909,090 flow through common shares for cash in a non-brokered private placement. Mistango incurred \$28,653 in share issue costs to consummate the transaction.

#### Options

Mistango has a stock option plan (the "Plan") under which its directors may grant options to directors, officers, employees, and consultants of the Company. The maximum number of common share options that may be issued and outstanding under the Plan may not exceed 10% of the issued shares. As at June 30, 2019, the Company had 2.3 million options available for issuance under the Plan.

Options outstanding to purchase common shares are as follows:

|                                  | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |                  |
|----------------------------------|--|------------------|
| Outstanding at December 31, 2017 | \$ 0.10  | 2,235,000        |
| Transactions during the year     |  |                  |
| Expired                          | 0.10   | (645,000)        |
| Outstanding at December 31, 2018 | \$ 0.10  | 1,590,000        |
| Transactions during the period   |  |                  |
| Issued                           | 0.10   | 2,100,000        |
| Expired                          | 0.10   | (895,000)        |
| Forfeited                        | 0.10   | (1,295,000)      |
| Outstanding at June 30, 2019     | <b>\$ 0.10</b>                                     | <b>1,500,000</b> |

As at June 30, 2019 the weighted average remaining life of the options outstanding was 3.5 years. All the options are vested and exercisable at \$0.10 each.

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 8. Share Capital (Continued)

#### Options (Continued)

The fair value of options issued during the three months ended March 31, 2018 was estimated on the date of grant. The following are the values used as inputs into Black-Scholes options pricing model as at the measurement:

|                          |                  |
|--------------------------|------------------|
| Grant Date               | January 10, 2018 |
| Options Issued           | 2,100,000        |
| Risk-free interest rate  | 1.95%            |
| Expected life            | 5 years          |
| Exercise price           | \$0.10           |
| Price volatility         | 175%             |
| Dividend yield           | Nil              |
| Forfeiture rate          | 64.4%            |
| Vesting                  | Immediately      |
| Share based compensation | \$35,000         |

### 9. Mineral Properties and Exploration and Evaluation Expenditures

The evaluation and exploration expenditures incurred during the period, and since project inception, for each property is as follows:

| Property                | Six Months Ended June 30, |                   | Cumulative<br>Since Project<br>Inception |
|-------------------------|---------------------------|-------------------|--|
|                         | 2019                      | 2018              |  |
| Baldwin, Ontario        | \$ 184                    | \$ 1,447          | \$ 604,637                               |
| Goldie, Ontario         | -                         | -                 | 513,053                                  |
| Kirkland West, Ontario  | 189                       | 1,208             | 264,075                                  |
| Omega Property, Ontario | 5,233                     | -                 | 5,879,503                                |
| Sackville, Ontario      | 9,132                     | 125,640           | 1,190,760                                |
| Other                   | 1,073                     | -                 | 114,723                                  |
|                         | <b>\$ 15,811</b>          | <b>\$ 128,295</b> | <b>\$ 8,566,751</b>                      |

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

### 10. Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of this combined Canadian federal and provincial income tax rate to the Company's effective tax rate is as follows:

| <i>Six Months Ended June 30,</i>  | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| Income tax recovery at the statutory tax rate                               | \$ 9,700    | \$ (69,400) |
| Exploration and evaluation expenditures capitalized for income tax purposes | 4,200       | 34,000      |
| Gain on sale of royalties deducted from C.E.E.                              | (59,600)    |             |
| Non-deductible share-based compensation                                     | -           | 9,300       |
| Income tax recovery   | (45,700)    | (26,100)    |
| Provision for deferred income tax asset                                     | 45,700      | 26,100      |
| Income tax expense  | \$ -        | \$ -        |

The composition of Mistango's deferred tax asset is as follows:

|   | <b>June 30,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|--------------------------|------------------------------|
| Exploration and evaluation assets       | \$ 2,142,400             | \$ 2,139,200                 |
| Equipment                               | 92,800                   | 92,000                       |
| Non-capital losses carry forward        | 1,220,000                | 1,203,200                    |
| Capital losses carry forward            | 244,800                  | 244,800                      |
| Deferred tax asset                      | 3,700,000                | 3,679,200                    |
| Deferred tax asset impairment provision | (3,700,000)              | (3,679,200)                  |
|   | \$ -                     | \$ -                         |

### 11. Capital Management

Mistango's objectives in managing its capital are to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new properties.

The Company manages its capital structure and adjusts it, based on the funds available to the Company. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Mistango currently has an interest are in the

# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

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### 11. Capital Management (Continued)

exploration stage; as such, the Company is dependent on external financing to fund its activities. The Company will continue to assess its existing working capital and raise additional amounts as needed. Mistango will continue to assess new properties and seek to acquire an interest in additional properties if it decides that there is sufficient economic potential and if it has adequate financial resources to do so.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relatively small size of its operations, is reasonable. There were no changes in the Company's approach to capital management during the six months ended June 30, 2019. The Company is not subject to externally imposed capital requirements.

### 12. Financial Instruments

Mistango's risk exposures and the impact on the Company's financial instruments are summarized below:

#### **Interest-rate risk**

Mistango maintains excess cash balances in an interest-bearing bank account at a major Canadian financial institution.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash, HST recoverable and the due from related parties. The Company has no material concentration of credit risk arising from operations. Cash consists of two bank deposits, of which one is an interest-bearing account held at a major Canadian financial institution. Management believes the risk of loss is remote.

#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at June 30, 2019, the Company had current assets of \$492,554 (December 31, 2018 - \$32,416 to settle current liabilities of \$121,260 (December 31, 2018 - \$24,708). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal terms of trade.

#### **Price risk**

The Company holds common shares of companies traded on the CSE and TSX-V. These investments, which are classified as FVTOCI financial instruments, are subject to stock market volatility. The value of these financial instruments fluctuates daily due to external market factors that are not within the Company's control.



# Mistango River Resources Inc.

## Notes to Condensed Interim Financial Statements (Unaudited)

Six Months Ended June 30, 2019 and 2018

(Expressed in Cdn\$)

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### 12. Financial Instruments (Continued)

#### **Sensitivity analysis**

The Company's investments are subject to fair value fluctuations. As at June 30, 2019, if the fair value of the investments had changed by 10%, with all other variables held constant, the change in comprehensive loss for the six months ended June 30, 2019 would have been insignificant.

### 13. Gains on Sale of Royalties

In May 2019 Mistango sold its 1% Net Smelter Returns Royalty in the Estrades Properties for \$75,000 cash on closing, being the date the sale agreement was signed.

Mistango entered into a Royalty Agreement ("Agreement") dated June 20, 2018. Under the terms of the Agreement the Company sold 3% Net Smelter Returns ("Royalty") on the Omega and Sackville properties for \$150,000 cash on closing. The Agreement provides Mistango with a five year irrevocable option to repurchase 2% of the Royalty from the purchaser for \$500,000 cash.

### 14. Hostile Takeover Defense Expenses

In May 2019, Orefinders Resources Inc. ("Orefinders") commenced a campaign to take control of Mistango by trying to intimidate and force Mistango's officers, directors and auditor to resign without shareholders' approval. Management is concerned that Orefinders' intentions regarding Mistango are not in the best interest of Mistango's shareholders. As such, the Company engaged the services of its lawyers to defend Mistango's shareholders in this hostile takeover attempt.