Cartier Iron Corporation

Condensed Interim Financial Statements

June 30, 2019
(expressed in Canadian dollars)
(unaudited)

Management's Comments on Unaudited Condensed Interim Financial Statements

These unaudited condensed interim financial statements of Cartier Iron Corporation (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

Cartier Iron Corporation
Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at June 30, 2019 $	As at December 31, 2018 $
Assets			
Current			
Cash		470,111	18,489
Receivables	4	10,054	71,851
Marketable securities	5	19,250	36,501
Prepaid expenses		28,293	36,498
		527,708	163,339
Investment in associate	6	399,770	368,562
Right-of-use asset	3 and 7	105,817	-
Exploration and evaluation	8	948,826	942,584
		1,982,121	1,474,485
Liabilities			
Current			
Accounts payable and accrued liabilities	14	668,401	531,256
Due to Eloro Resources Ltd.	9	79,612	195,617
Other liabilities	9	40,000	-
Current portion of lease liabilities	3 and 10	41,030	-
		829,043	726,873
Lease liabilities	3 and 10	66,338	-
		895,380	726,873
Shareholders' equity			
Share capital	11	10,092,125	9,201,955
Contributed surplus	11	256,000	256,000
Warrants	11	386,000	624,000
Deficit		(9,647,385)	(9,334,343)
		1,086,740	747,612
		1,982,121	1,474,485

Going concern 2

Approved by the Board:

Thomas G. Larsen
Director

Francis Sauve
Director

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

Cartier Iron Corporation
Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended June 30, 2019 $	3 months ended June 30, 2018 $	6 months ended June 30, 2019 $	6 months ended June 30, 2018 $
Expenses					
Professional fees		1,804	8,499	8,888	15,499
Consulting fees	14	86,100	83,500	164,100	160,500
Stock-based compensation		-	16,000	-	16,000
General and administrative		52,744	54,046	68,653	102,040
Investor relations		6,847	29,643	19,956	46,547
Interest	10	1,709	-	3,565	-
Depreciation	7	10,582	-	21,164	-
Gain on sale of marketable securities		(8,033)	-	(8,033)	-
Decrease in fair value of marketable securities		19,671	15,495	8,991	20,639
Impairment of exploration and evaluation	8	10,329	6,372	13,623	11,766
Gain on settlement of accounts payable		-	(659,849)	-	(659,849)
Other recoveries		(8,162)	22	(8,162)	367
Part XII.6 tax		-	-	-	139
		173,592	(446,273)	292,747	(286,351)
Loss before loss on investment of an associate		(173,592)	446,273	(292,747)	286,351
Dilution gain on change in interest in associate	6	-	5,102	13,261	24,861
Share of loss of an associate	6	(16,906)	(26,874)	(33,556)	(44,378)
Income (loss) before income taxes		(190,498)	424,500	(313,042)	266,834
Deferred income taxes		-	24,727	-	43,092
Income (loss) and comprehensive income (loss)		(190,498)	449,227	(313,042)	309,926
Income (loss) per common share-basic and diluted		(0.003)	0.009	(0.005)	0.007
Weighted average number of common shares-basic and diluted		59,510,496	47,222,721	58,497,238	47,222,721

Cartier Iron Corporation
Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance, December 31, 2018	9,201,955	256,000	624,000	(9,334,343)	747,612
Private placement of units	325,000	-	-	-	325,000
Private placement of flow-through units	400,000	-	-	-	400,000
Fair value of warrants issued	(78,000)	-	78,000	-	-
Fair value of broker warrants issued	(4,000)	-	4,000	-	-
Flow-through unit premium	(40,000)	-	-	-	(40,000)
Fair value of expired warrants	320,000	-	(320,000)		-
Share issue costs	(32,830)	-	-	-	(32,830)
Loss	-	-	-	(313,042)	(313,042)
Balance, June 30, 2019	10,092,125	256,000	386,000	(9,647,385)	1,086,740
Balance, December 31, 2017	8,056,577	240,000	335,000	(8,689,107)	(57,530)
Stock-based compensation	-	16,000	-	-	16,000
Loss	-	-	-	309,926	309,926
Balance, June 30, 2018	8,056,577	256,000	335,000	(8,379,181)	268,396

Cartier Iron Corporation
Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	6 months ended June 30, 2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Loss	(313,042)	309,926
Items not affecting cash		
Stock-based compensation	-	16,000
Depreciation	21,164	-
Interest	3,565	-
Gain on sale of marketable securities	(8,033)	-
Decrease (increase) in fair value of marketable securities	8,991	20,639
Impairment of exploration and evaluation	13,623	11,766
Gain on settlement of accounts payable	-	(659,849)
Dilution gain on change in interest in associate	(13,261)	(24,861)
Share of loss of an associate	33,556	44,378
Deferred income tax recovery	-	(43,092)
Changes in non-cash working capital		
Receivables	61,797	(2,481)
Prepaid expenses	8,206	(9,914)
Accounts payable and accrued liabilities	137,142	212,529
	(46,291)	(124,958)
Financing activities		
Private placement of units	325,000	-
Private placement of flow-through units	400,000	-
Share issue costs	(32,830)	-
Advances from Eloro Resources Ltd.	(116,005)	133,807
Interest paid	(3,565)	-
Repayment of lease liabilities	(19,612)	-
	552,988	133,807
Investing activities		
Proceeds on sale of marketable securities	16,292	-
Purchase of marketable securities	-	(25,750)
Purchase of interest in associate	(51,502)	-
Junior Exploration Assistance grant	58,839	-
Exploration and evaluation	(78,704)	(446,737)
	(55,075)	(472,487)
Net increase (decrease) in cash	451,622	(463,638)
Cash, beginning of period	18,489	481,636
Cash, end of period	470,111	17,998
Supplementary information		
Interest paid	3,565	-
Income taxes paid	-	-

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

1. Nature of operations

Cartier Iron Corporation (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Going concern

The Company is in the exploration stage and has no revenue. As at June 30, 2019, the Company had a working capital deficit of $367,673 (December 31, 2018 - $553,263) and for the 6 months ended June 30, 2019, the Company incurred a loss of $313,042 (2018 - income of $309,926) and a cashflow deficit from operations of $46,291 (2018 - $124,958). The working capital deficit and cashflow deficit from operations limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operation of the Company is dependent upon the support of its creditors and the Company's ability to secure advances from related parties and equity financings to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary advances and equity financing, however, there can be no assurance that additional financing will be available.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. Basis of presentation

Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these interim condensed financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2018.

These interim condensed financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on August 29, 2019.

Changes in accounting standards

On January 1, 2019, the Company adopted *IFRS 16, Leases* ("IFRS 16"). According to IFRS 16, a contract is, or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information which continues to be reported under *IAS 17, Leases*.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The Company is a party to a lease for offices premises until December 31, 2021. At January 1, 2019, the Company used its incremental borrowing rate of 6% to measure its lease liabilities.

	$
Lease commitments at December 31, 2018	139,068
Discount using the incremental borrowing rate of 6%	(12,087)
Lease liabilities recognized at January 1, 2019	126,981

At January 1, 2019, the impact of adopting IFRS 16 on the Company's statement of financial position was as follows:

	$
Assets	
Right-of-use asset	126,981
Liabilities	
Current	
Current portion of lease liabilities	39,820
Lease liabilities	87,160
	126,981

4. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties"). It is the Company's policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amount of the unassessed claims is subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

	In respect returns filed for years ended December 31, 2017	2016	2015
		$	$
Refundable Tax Credits			
As filed	166,069	22,476	251,079
As assessed	–	–	251,079
Received	–	–	(251,079)
Included in receivables at June 30, 2019	–	–	–
Credit on Duties			
As filed	34,162	4,641	71,699
As assessed	–	–	–
Received during the period	–	–	–
Included in receivables at June 30, 2019	–	–	–

5. Marketable securities

Marketable securities consist of the following investments:

	June 30, 2019		December 31, 2018	
	Fair value	Cost	Fair value	Cost
	$	$	$	$
Champion Iron Limited	–	–	5,350	3,373
Tartisan Resources Corp.	19,250	36,811	31,151	41,697
	19,250	36,811	36,501	45,070

6. Investment in associate

As at June 30, 2019, the Company held 2,812,500 Eloro common shares (December 31, 2018 - 2,543,500) with a fair value of $703,125 (December 31, 2018 - $1,144,575), representing 7.68% of the outstanding Eloro common shares (December 31, 2018 - 7.09%). The Company continues to account for its investment in Eloro as an investment in associate. Although the Company holds less than 20% of the voting rights of Eloro, the Company continues have significant influence in Eloro as three directors of the Company are also directors of Eloro.

	Number of Eloro common shares held	$
Balance at December 31, 2018	2,543,500	368,562
Purchase of shares	269,000	51,502
Dilution gain	–	13,261
Share of loss	–	(33,556)
Balance at June 30, 2019	2,812,500	399,770

The following is a summary of Eloro's statement of financial position and reconciliation to carrying amounts as at June 30, 2019:

	$
Assets	
Cash	24,754
Due from the Company	79,624
Other current assets	148,777
	253,155
Right-of-use assets	106,589
Exploration and evaluation	4,853,566
	5,213,310
Liabilities and shareholders' equity	
Current liabilities	457,732
Lease liabilities	66,338
Shareholders' equity	4,689,240
	5,213,310

Reconciliation to carrying amount:

Share percentage ownership of Eloro	7.68%
	$
Company's share of net assets of Eloro	400,382
Difference between the Company's share of net assets of Eloro and carrying value	(34,243)
Carrying value of investment in Eloro	366,139

The following is a summary of the statement of income of Eloro for the 3 months ended June 30, 2019:

	$
Expenses	
Expenses	142,919
Depreciation	10,659
Interest	1,709
Foreign exchange loss	11,733
Loss on sales of marketable securities	(9,410)
Unrealized gain on marketable securities	75,550
Writedown of exploration and evaluation	4,395
Refundable tax credit notices of assessment	6,000
	243,555
Loss	(243,555)
Other comprehensive loss	8,611
Comprehensive loss	(234,944)

7. Right-of-use assets

	June 30, 2019 $	**January 1, 2019 $**
Right-of-use assets	126,981	126,981
Accumulated depreciation	(21,164)	–
	105,817	126,981

8. Exploration and evaluation

	December 31, 2018 $	**Exploration expenditures $**	**Junior Exploration Assistance grant received $**	**Writedowns $**	**June 30, 2019 $**
Property					
Gagnon	—	13,623	—	(13,623)	—
Big Easy	942,584	65,081	(58,839)	—	948,826
	942,584	78,704	(58,839)	(13,623)	948,826

Gagnon, Quebec
The Company owns a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie) and Jeannine, consisting of 141 claims covering 74.68 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Québec (“Gagnon”).

A joint venture was formed between the Company and Champion to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of $3,000,000.

In the event that a joint venture partner proposes to acquire any property within 10 kilometres of Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

As at June 30, 2019, facts and circumstances suggested that the carrying amount of Gagnon may exceed its recoverable amount. As required by International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* (“IFRS 6”), the Company assessed Gagnon for impairment. The Company concluded that there were a number of indicators of impairment, and accordingly, recorded an impairment of exploration and evaluation of $3,294.
The Company has incurred the following cumulative exploration and evaluation expenditures on Gagnon:

	$
Balance, December 31, 2018	3,877,545
Expenditures	13,623
Balance, June 30, 2019	3,891,168

As at June 30, 2019, Champion held 14,644,971 common shares of the Company (December 31, 2018 - 14,644,971), representing 25.48% of the outstanding common shares of the Company (December 31, 2018 - 25.48%). Pursuant to a standstill agreement, Champion may not sell or transfer more than 2,000,000 common shares during any 30-day period.

Big Easy, Newfoundland and Labrador
The Company owns a 100% interest in Big Easy consisting of 507 mining claims (December 31, 2018 - 507) covering 126.8 square kilometres (December 31, 2018 - 126.8) located in Newfoundland and Labrador.

Pursuant to the definitive agreement, in order to complete the acquisition of Big Easy, the Company must issue common shares and incur exploration expenditures, as follows:

	Common shares	Exploration expenditures $
Upon signing of definitive agreement (issued)	500,000	–
November 21, 2018 (issued and incurred)	500,000	500,000
November 21, 2019	500,000	800,000
November 21, 2020	1,000,000	1,200,000
	2,500,000	2,500,000

On April 24, 2019, the Company and the vendors of Big Easy amended the terms of the definitive agreement so that the Company's commitments have been waived and postponed for the length of the period from the dates set forth in the definitive agreement and the date on which permitting issues related to the Big Easy watershed encumbrances are resolved to the Company's satisfaction.

The Company agreed to issue 100,000 common shares as a finder's fee, of which, 50,000 common shares with a fair value of $4,500 have been issued and 50,000 common shares will be issued upon completion of the acquisition.

In the event that the Company does not issue common shares or incur exploration expenditures, the definitive agreement will terminate and the Company will transfer the mining licences and claims to the vendor.

The property is subject to a 3% net smelter royalty ("NSR"). The Company has options to further reduce the NSR by:

a) 0.25% until November 21, 2021 by making a payment of $250,000; and
b) a further 0.25% until November 21, 2022 by making a payment of $250,000.

In the event that the Company wishes to sell any or all of the property prior to November 21, 2020, the Company must obtain the permission of the vendor.

With respect to the common shares issued or to be issued to the vendor:

c) the vendor will not grant a security interest in the common shares;
d) the vendor has the right to sell tranches of less than 300,000 common shares;
e) until November 21, 2021, the Company has a right of first refusal in the event that the vendor receives a third party offer to acquire any tranche of more than 300,000 common shares; and
f) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote against any resolution put before the shareholders of the Company upon the recommendation of the Board of Directors
g) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote in favour of:
   (i) the election of board nominees that have not been proposed by the then Board of Directors, or
   (ii) any shareholder resolution or proposal unless the Board of Directors recommends voting in favour of such shareholder resolution or proposal.

9. Due to Eloro Resources Ltd.

The amount due to Eloro is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Eloro.

10. Lease liabilities

	$
Balance, January 1, 2019	126,981
Lease payments	(19,612)
Balance, June 30, 2019	107,369
Current portion of lease liabilities	41,030
Long-term lease liabilities	66,339
	107,369

The remaining lease term is 2.5 years.

11. Share capital

Authorized

An unlimited number of common shares.
An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at $0.10 per share and convertible on the basis of one common share for each Class A preferred share.

Issued

	Number of common shares	$
Balance, December 31, 2018	57,472,721	9,201,955
Private placement of units	4,062,500	325,000
Private placement of flow-through units	4,000,000	400,000
Fair value of warrants issued	–	(78,000)
Fair value of broker warrants issued	–	(4,000)
Share issue costs	–	(32,830)
Balance, June 30, 2019	65,535,221	9,812,125

Private placement of units and flow-through units

On June 7, 2019, the Company completed a private placement of 4,062,500 units at a price of $0.08 per unit for gross proceeds of $325,000. Each unit consisted of one common share and one-half of warrant, with each whole warrant entitling the holder to purchase one common share for $0.12 until December 7, 2020. If the closing price of the common shares is over $0.25 for 20 consecutive trading days following the expiry of the 4-month hold period, the warrants must be exercised within 10 business days of the Company providing written notice, or they will be cancelled.

On June 7, 2019, the Company completed a private placement of 4,000,000 flow-through units at a price of $0.10 per unit for gross proceeds of $400,000. Each unit consisted of one common share and one-half of warrant, with each whole warrant entitling the holder to purchase one common share for $0.15 until December 7, 2020. If the closing price of the common shares is over $0.25 for 20 consecutive trading days following the expiry of the 4-month hold period, the warrants must be exercised within 10 business days of the Company providing written notice, or they will be cancelled.

In connection with the private placements, the Company paid cash commissions of $30,030 and issued 95,375 broker warrants entitling the holder to purchase one common share for $0.12 until December 7, 2020 and 91,000 broker warrants entitling the holder to purchase one common share for $0.15 until December 7, 2020. In the absence of a reliable measure of services received, services in respect of the private placements have been measured at the fair value of the broker warrants issued.

The fair values of the warrants and broker warrants were calculated using the Black-Scholes option pricing model with the following assumptions:

	Warrants		Broker warrants	
	Units	FT Units	Units	FT Units
Date of issue	June 7, 2019			
Expiry date	December 7, 2020			
Warrants issued	2,031,250	2,000,000	95,375	91,000
Exercise price	$0.12	$0.15	$0.12	$0.15
Share price	$0.08			
Risk-free interest rate	1.47%			
Expected volatility based on historical volatility	82%			
Expected life of warrants	1.5 years			
Expected dividend yield	0%			
Fair value	$44,000	$34,000	$2,000	$2,000
Fair value per warrant	$0.02	$0.02	$0.02	$0.02

Of the private placements, one director acquired 100,000 units for gross proceeds of $8,000.

With respect to the flow-through common shares, the deductions for income tax purposes of the related expenditures will be renounced to the subscribers of the flow-through shares. As the renouncement was prospective, a flow-through share premium of $40,000 representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as a reduction of share capital and an increase to other liabilities.

Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at June 30, 2019, there were 6,553,522 stock options (December 31, 2018 - 5,747,272) authorized to be issued under the stock option plan, of which, 3,225,000 stock options (December 31, 2018 - 3,025,000) were outstanding.

A summary of the Company's stock options is presented below:

	Weighted-average exercise price	Number of stock options outstanding and exercisable
Balance, December 31, 2018 and June 30, 2019	0.10	3,225,000

A summary of the Company's outstanding stock options is presented below:

Exercise price	Expiry date	Number of stock options
$0.10	July 9, 2020	3,025,000
$0.15	April 10, 2023	200,000
		3,225,000

Warrants
A continuity of the Company's warrants is presented below:

	Weighted-average exercise price $	Number of warrants
Balance, December 31, 2018	0.17	12,780,467
Issued	0.13	4,217,625
Expired	0.21	(5,780,467)
Balance, June 30, 2019	0.13	11,217,625

A summary of the Company's outstanding warrants is presented below:

Exercise price	Expiry date	Number of warrants
$0.12	March 19, 2020	5,000,000
$0.15	March 19, 2020	2,000,000
$0.12	December 7, 2020	2,126,625
$0.15	December 7, 2020	2,091,000
		11,217,625

The weighted average remaining contractual life of the outstanding warrants is 1.0 year.

12. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, accounts payable and accrued liabilities and due to Eloro
The fair values of cash, accounts payable and accrued liabilities and due to Eloro at June 30, 2019 approximated their respective carrying value due to their short term to maturity.

Marketable securities
The fair value of marketable securities is estimated based on observable inputs.

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;
Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
Level 3: inputs for the asset or liability that are not based on observable market data

Marketable securities are classified as Level 1 financial assets.

13. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash. The Company’s limits its exposure to credit risk on its cash by holding deposits with high credit quality Canadian chartered bank.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company’s ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of oil and properties. Accounts payable and accrued liabilities are subject to normal trade terms and the amount due to Eloro is due on demand.

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments.

Equity price risk
Equity price risk arises from the Company’s marketable securities. The Company’s approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at June 30, 2019 had changed by 10%, with all other variables held constant, the income would have increased or decreased by $1,925.

Currency risk
Currency risk arises from the Company’s financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company’s functional currency. As all of the Company’s purchases are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash in Canadian dollars.

Interest rate risk
The Company’s exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management
Capital of the Company consists of share capital, contributed surplus, warrants and deficit. The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company’s approach to capital management during the year.

14. Related party transactions

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	6 months ended June 30, 2019 $	2018 $	June 30, 2019	Outstanding at December 31, 2018 $
Consulting fees	156,000	160,500	355,777	209,778

Additional related party transactions are disclosed in notes 6, 8, 9 and 11. These transactions were in the normal course of business.

15. Commitment

Flow-through expenditures

Pursuant to a flow-through financing completed on June 7, 2019 (see note 11), the Company is committed to make eligible Canadian Exploration Expenditures of $400,000 by December 31, 2020.