VIKING GOLD EXPLORATION INC.

Condensed Interim Financial Statements

For the Six Months Ended June 30, 2019

(Unaudited – Expressed in Canadian Dollars)

VIKING GOLD EXPLORATION INC.

June 30, 2019

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Condensed Interim Financial Statements

NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

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

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

August 26, 2019

VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	June 30, 2019	December 31, 2018
Assets		
Current		
Cash	$ 1,238	$ 44,802
Receivables	10,349	3,255
Investments (note 7)	7,500	13,750
	19,087	61,807
Equipment (note 8)	485	590
	$ 19,572	$ 62,397
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 10 and 15)	$ 412,098	$ 466,461
Loans payable (note 11)	163,665	107,392
Interest payable on convertible debentures (notes 12 and 15)	61,892	57,760
Convertible debentures (notes 12 and 15)	107,500	107,500
Provision for indemnification of flow-through subscribers (note 13)	401,633	401,633
	1,146,788	1,140,746
Shareholders' Deficiency		
Share Capital (note 14)	9,009,002	9,009,002
Deficit	(10,136,218)	(10,087,351)
	(1,127,216)	(1,078,349)
	$ 19,572	$ 62,397

Going Concern (note 2)
Commitments and Contingencies (note 18)
Subsequent Event (note 19)

Approved on behalf of the Board:

"Mark Edwards" ……………………………… Director
Mark Edwards

"Dominic Verdejo" ……………………………… Director
Dominic Verdejo

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

VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Comprehensive Income (Loss)
For the Six Months Ended June 30,
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Expenses				
Depreciation (note 8)	$ 30	$ 75	$ 105	$ 150
Interest expense (notes 11 and 12)	5,861	5,071	15,555	9,059
Management fees (note 15)	-	7,500	5,000	15,000
Office and miscellaneous	1,083	1,313	1,116	2,624
Professional fees	5,687	5,500	9,477	11,000
Shareholder communications and investor relations	8,675	-	8,675	-
Transfer agent and filing fees	7,784	-	7,784	-
Loss Before Other Items	(29,120)	(19,459)	(47,712)	(37,833)
Other Items				
Gain on disposition of exploration and evaluation assets (note 9)	-	-	-	79,800
Realized loss on investments (note 7)	-	(15,284)	(905)	(15,284)
Unrealized loss on investments (note 7)	(2,500)	(15,100)	(250)	(10,000)
Net Income (Loss) and Comprehensive Income (Loss) for the Period	$ (31,620)	$ (49,843)	$ (48,867)	$ 16,683
Basic and Diluted Earnings (Loss) Per Share	$ (0.00)	$ (0.01)	$ (0.01)	$ 0.00
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	7,977,822	7,977,822	7,977,822	7,977,822

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

VIKING GOLD EXPLORATION INC.
Condensed Interim Statements of Changes in Shareholders' Deficiency
(Unaudited – Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Equity-settled Employee Benefit Reserve	Deficit	Total
Balance, December 31, 2017	**7,977,822**	**$ 9,009,002**	**$ 8,751**	**$ (10,029,837)**	**$ (1,012,084)**
Expiry of stock options	-	-	(8,751)	8,751	-
Net income and comprehensive income for the period	-	-	-	16,683	16,683
Balance, June 30, 2018	**7,977,822**	**9,009,002**	**-**	**(10,004,403)**	**(995,401)**
Net loss and comprehensive loss for the period	-	-	-	(82,948)	(82,948)
Balance, December 31, 2018	**7,977,822**	**9,009,002**	**-**	**(10,087,351)**	**(1,078,349)**
Net loss and comprehensive loss for the period	-	-	-	(48,867)	(48,867)
Balance, June 30, 2019	**7,977,822**	**$ 9,009,002**	**$ -**	**$ (10,136,218)**	**$ (1,127,216)**

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

VIKING GOLD EXPLORATION INC.
Condensed Interim Statements of Cash Flows
For the Six Months Ended June 30,
(Unaudited – Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net income (loss)	$ (48,867)	$ 16,683
Items not involving cash		
Depreciation	105	150
Interest accrued on loan payable	11,423	1,071
Interest accrued on convertible debentures	4,132	7,988
Gain on disposition of exploration and evaluation assets	-	(79,800)
Realized loss on investments	905	15,284
Unrealized loss on investments	250	10,000
Changes in non-cash working capital		
Receivables	(7,094)	(3,250)
Accounts payable and accrued liabilities	(54,363)	(4,466)
Cash Used in Operating Activities	(93,509)	(36,340)
Investing Activity		
Proceeds on sale of investments	5,095	70,516
Cash Provided by Investing Activity	5,095	70,516
Financing Activity		
Loan proceeds	44,850	33,425
Cash Provided by Financing Activity	44,850	33,425
Inflow (Outflow) of Cash	(43,564)	67,601
Cash, Beginning of Period	44,802	3,390
Cash, End of Period	$ 1,238	$ 70,991

Supplemental Disclosure with Respect to Cash Flows (note 16)

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

1. NATURE OF OPERATIONS

Viking Gold Exploration Inc. (the "Company" or "Viking") is a Canadian mineral exploration company with interests in projects located in Quebec. The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3. The Company was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta, and was a Tier-2 listed company on the TSX Venture Exchange ("TSX-V"), that previously traded under the symbol VGC. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. Viking is a reporting issuer without a listing as at August 26, 2019.

On August 12, 2019, the Company consolidated its common shares on a one new share for ten old shares basis. All share and per share amounts have been revised to reflect the consolidation.

The Company's exploration projects are described in note 9. There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

2. GOING CONCERN

These condensed interim financial statements (the "financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which 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 operations.

The Company has incurred a loss during the six months ended June 30, 2019 of $48,867 (2018 – net income of $16,683) and as at June 30, 2019 has a deficit of $10,136,218 (December 31, 2018 - $10,087,351), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. As at June 30, 2019, the Company also had a working capital deficiency of $1,127,701 (December 31, 2018 - $1,078,939). The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2018 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

3. BASIS OF PRESENTATION (Continued)

a) Statement of compliance (continued)

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 26, 2019.

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 3 to the audited financial statements for the year ended December 31, 2018, except for the Company's accounting policy for leases.

Initial adoption

On January 1, 2019, the Company adopted IFRS 16 *Leases*. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at January 1, 2019 and applies the standard prospectively. The Company has determined that at January 1, 2019, adoption of IFRS 16 will not result in the recognition of a right-of-use asset ("ROU asset") nor a lease obligation.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income/loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation expense.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments, which may include: fixed lease payments, variable lease payments that are based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

a) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

b) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year.

(Unaudited – Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Decommissioning liabilities (continued)

Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at June 30, 2019, the Company had no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as amortized cost; investments as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities, loans payable, convertible debentures and interest payable on convertible debentures, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ 7,500	$ -	$ -	$ 7,500

December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ 13,750	$ -	$ -	$ 13,750

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $10,349 (December 31, 2018 - $3,255) owing from the Canada Revenue Agency. The Company has minimal credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of June 30, 2019 equal $1,146,788 (December 31, 2018 - $1,140,746). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of June 30, 2019. The cash available is not sufficient to meet the Company's financial obligations at June 30, 2019. The Company will need to raise additional capital in order to address its liquidity.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) Currency risk – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider the related interest rate risk to be significant. The Company incurs interest on fixed rate debentures and loans payable. It may be subject to changes in cash flows resulting from rate changes upon renewal.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

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, exploration and development of mineral properties. 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.

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 spends its working capital and raises additional amounts as needed. The Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

(Unaudited – Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management (continued)

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 the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the period ended June 30, 2019.

The Company is not subject to externally imposed capital requirements other than of the TSX-V, which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of June 30, 2019, the Company is not compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

7. INVESTMENTS

	June 30, 2019	December 31, 2018
Investment in Troy Energy Corp.		
At June 30, 2019 – 250,000 common shares with a cost of $20,000; At December 31, 2018 – 250,000 common shares with a cost of $20,000	$ 7,500	$ 7,500
Investment in Cartier Resources Inc.		
At June 30, 2019 – nil common shares with a cost of $nil;		
At December 31, 2018 – 50,000 common shares with a cost of $6,000	-	6,250
	$ 7,500	$ 13,750

During the six months ended June 30, 2019, 50,000 shares of Cartier Resources Inc. were sold for net proceeds of $5,095, resulting in a loss on sale of investments of $905.

In January 2018, 60,000 shares of Goldmining Inc. were received and were sold during the year ended December 31, 2018 for net proceeds of $63,864, resulting in a loss on sale of investments of $15,936.

During the year ended December 31, 2018, 50,000 shares of Cartier Resources Inc. were sold for net proceeds of $6,652, resulting in a gain on sale of investments of $652.

(Unaudited – Expressed in Canadian Dollars)

8. EQUIPMENT

		Furniture and Equipment
Cost		
Balance, December 31, 2017 and 2018, and June 30, 2019	**$**	**4,741**
Accumulated Depreciation		
Balance, December 31, 2017	**$**	**3,851**
Depreciation		300
Balance, December 31, 2018		**4,151**
Depreciation		105
Balance, June 30, 2019	**$**	**4,256**
Net Book Value, December 31, 2018	**$**	**590**
Net Book Value, June 30, 2019	**$**	**485**

9. EXPLORATION AND EVALUATION ASSETS

a) In January 2018, the Company sold three interests in the North West Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

b) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter return royalty, which the purchaser can buy back for $1,000,000.

c) During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

d) In 2011, the Company acquired a 100% interest in the Verneuil East Property located in Quebec.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

		June 30, 2019		**December 31, 2018**
Trade payables (note 15)	$	49,598	$	37,984
Accrued liabilities		38,400		71,600
Accrued Part XII.6 tax and related amounts (note 13)		85,732		100,627
Due to related parties (note 15)		238,368		256,250
	$	412,098	$	466,461

On April 4, 2019, the Company agreed to settle $15,000 of trade payables for 250,000 common shares of the Company valued at $0.05 per share. The Company issued the common shares subsequent to June 30, 2019 (note 19(b)).

(Unaudited – Expressed in Canadian Dollars)

11. LOANS PAYABLE

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 7,153	$ 40,578
July 17, 2018	November 14, 2018	10%/20%*	40,850	7,767	48,617
August 22, 2018	December 20, 2018	10%/20%*	25,000	3,438	28,438
January 28, 2019	May 28, 2019	10%/20%*	10,000	504	10,504
February 27, 2019	June 27, 2019	10%/20%*	9,850	335	10,185
March 20, 2019	July 18, 2019	10%/20%*	5,000	140	5,140
May 24, 2019	September 21, 2019	10%/20%*	20,000	203	20,203
Total			$ 144,125	$ 19,540	$ 163,665

*The loan bears interest at 10% until its maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading (note 1).

12. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum, which will be paid on maturity.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a "Unit") at a conversion price (the "Conversion Price") of $0.10 per Unit over the term of the Debenture. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Interest expense on the Debentures for the six months ended June 30, 2019 was $4,132 (2018 - $7,988).

No value has been assigned to the equity conversion option as the conversion rate substantively exceeds the market value of the equity and the limited time to maturity result in the value of the conversion option not being significant.

On June 30, 2015, the debenture holders agreed to extend the maturity of the debentures, under the same terms and conditions, to December 31, 2015. No further extensions have been given, and therefore, the full balance of the convertible debentures has been presented as a current liability.

On April 4, 2019, the Company agreed to settle $165,263 worth of convertible debentures ($107,500 of principal and $57,763 of accrued interest) for 3,305,260 common shares of the Company valued at $0.05 per share. The Company issued the common shares subsequent to June 30, 2019 (note 19(b)).

13. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% Canadian exploration expenditures "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two years' interest on reassessed amounts.

As at June 30, 2019 and December 31, 2018, the Company has also accrued in trade and other payables (see note 10), the estimated federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

During the year ended December 31, 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in note 18(a).

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued

There were no changes to issued share capital during the six months ended June 30, 2019 or the year ended December 31, 2018.

Subsequent to June 30, 2019, the Company consolidated its common shares on a one new share for ten old shares basis. All share and per share amounts have been revised to reflect the consolidation.

(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL (Continued)

c) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. Options granted may not exceed a term of five years. All options vest when granted unless otherwise specified by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended June 30, 2019		**Year Ended December 31, 2018**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	52,500	$ 1.00
Expired	-	$ -	(52,500)	$ 1.00
Outstanding, end of period	-	$ -	-	$ -

During the year ended December 31, 2018, the Company transferred $8,751 from equity-settled employee benefit reserve to deficit upon the expiry of 52,500 stock options granted to consultants.

15. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive income (loss):

	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**
Short-term compensation	$ 5,000	$ 15,000

During the six months ended June 30, 2019, short-term compensation to related parties consisted of $5,000 (2018 - $15,000) in management fees.

As at June 30, 2019, the Company has outstanding amounts payable to officers, directors, and advisory committee members of the Company of $238,368 (December 31, 2018 - $256,250) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

As at June 30, 2019 and December 31, 2018, related parties were also invested in the convertible debentures (note 12).

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 1,271,360 common shares of the Company valued at $0.05 per share. The Company issued the common shares subsequent to June 30, 2019 (note 19(b)). As of August 26, 2019, the Company has not paid the $35,000 in cash to complete the settlement.

(Unaudited – Expressed in Canadian Dollars)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	June 30, 2019	June 30, 2018
Income tax paid	$ -	$ -
Interest paid	$ -	$ -

17. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada.

18. COMMITMENTS AND CONTINGENCIES

a) Flow-through shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in note 13.

b) Environmental contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

19. SUBSEQUENT EVENT

a) On August 2, 2019, the Company entered into a loan agreement for proceeds of $20,000. The loan bears interest at 10% and is due November 30, 2019. The interest rate increases to 20% if repayment is not made by the due date.

b) On August 19, 2019, the Company issued 4,826,620 common shares valued at $241,331 to settle trade payables of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and amounts due to related parties of $225,068. The Company is still required to pay cash of $35,000 to complete the settlement of the amounts due to related parties.