RBI VENTURES LTD.
(Formerly Russell Breweries Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of RBI Ventures Ltd.

Opinion

We have audited the accompanying consolidated financial statements of RBI Ventures Ltd. which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company has a history of losses and a working capital deficit at June 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
October 25, 2019

RBI VENTURES LTD.
(Formerly Russell Breweries Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

	2019	2018
	$	$
ASSETS		
Current		
Cash and cash equivalents	**12,955**	35,287
Amounts receivable	**13,798**	9,961
Prepaid expenses	**1,250**	5,850
	28,003	51,098
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**63,620**	128,750
Loans from related parties (Note 8)	**47,000**	-
	110,620	128,750
SHAREHOLDERS' DEFICIENCY		
SHARE CAPITAL	**4,880,885**	4,880,885
SHARE-BASED PAYMENTS RESERVES	**-**	3,854,489
DEFICIT	**(4,963,502)**	(8,813,026)
	(82,617)	(77,652)
	28,003	51,098

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on October 25, 2019:

"Hugh Notman" *"Norman Yurik"*

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

RBI VENTURES LTD.
(Formerly Russell Breweries Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

	2019	2018
	$	$
EXPENSES		
General and administrative (Notes 6 and 8)	**64,185**	274,054
LOSS BEFORE OTHER INCOME	**(64,185)**	(274,054)
OTHER INCOME		
Other income	**-**	11,353
LOSS FROM CONTINUING OPERATIONS	**(64,185)**	(262,701)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 5)	**59,220**	(42,915)
NET LOSS AND COMPREHENSIVE LOSS	**(4,965)**	(305,616)
EARNINGS (LOSS) PER SHARE – basic and diluted (Note 2(b))		
Continuing operations	**(0.02)**	(0.08)
Discontinued operations	**0.02**	(0.01)
Weighted average number of shares outstanding – basic and diluted	**3,483,351**	3,483,351

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

RBI VENTURES LTD.
(Formerly Russell Breweries Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(**Expressed in Canadian Dollars**)

	Share Capital				
	Number of Shares	Value	Share-based payments reserves	Deficit	Total Shareholders' Deficiency
		$	$	$	$
Balance, June 30, 2018	**3,483,351**	**4,880,885**	**3,854,489**	**(8,813,026)**	**(77,652)**
Stock option reserves (Note 6)	**-**	**-**	**(3,854,489)**	**3,854,489**	**-**
Comprehensive loss	**-**	**-**	**-**	**(4,965)**	**(4,965)**
Balance, June 30, 2019	**3,483,351**	**4,880,885**	**-**	**(4,963,502)**	**(82,617)**

	Share Capital				
	Number of Shares	Value	Share-based payments reserves	Deficit	Total Shareholders' Deficiency
		$	$	$	$
Balance, June 30, 2017	3,483,351	7,928,818	3,854,489	(8,507,410)	3,275,897
Return of capital (Note 6)	–	(3,047,933)	–	–	(3,047,933)
Comprehensive loss	–	–	–	(305,616)	(305,616)
Balance, June 30, 2018	3,483,351	4,880,885	3,854,489	(8,813,026)	(77,652)

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

RBI VENTURES LTD.
(Formerly Russell Breweries Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

	2019	2018
	$	$
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss from continuing operations	**(64,185)**	(262,701)
Income (loss) from discontinued operations	**59,220**	(42,915)
	(4,965)	(305,616)
Items not involving cash:		
Adjustments for non-cash discontinued operations	**(62,858)**	-
Net changes in non-cash working capital items:		
Amounts receivable	**(3,837)**	26,421
Prepaid expenses and deposits	**4,600**	(5,850)
Due to and from related parties	**-**	(6,000)
Accounts payable and accrued liabilities	**(2,272)**	16,945
	(69,332)	(274,100)
INVESTING ACTIVITIES		
Proceeds on sale of disposal groups, net of transaction costs	**-**	1,803,102
	-	1,803,102
FINANCING ACTIVITIES		
Loans from related parties	**47,000**	-
Return of capital	**-**	(3,047,933)
	47,000	(3,047,933)
CHANGE IN CASH AND CASH EQUIVALENTS	**(22,332)**	(1,518,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**35,287**	1,554,218
CASH AND CASH EQUIVALENTS, END OF YEAR	**12,955**	35,287
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash received for interest	**-**	38,265
Cash and cash equivalents consist of:		
Cash held in trust	**12,921**	-
Demand deposits	**34**	35,287
	12,955	35,287

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

RBI Ventures Ltd. (the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on March 23, 2000. The head office and principal address of the Company is located at 450-400 Burrard Street, Vancouver, BC, V6C 3A6.

During the year ended June 30, 2017, the Company completed two separate asset sale transactions to sell all of the assets utilized in its business of producing beers under the name “Fort Garry Brewing Company” (“FGB”), for a price of $7,802,670 (the “Fort Garry Sale”), and all of the assets utilized in its business of producing beers under the name “Russell Brewing Company” (“RBC”), for a price of $1,816,397 (the “Russell Sale”). Subsequent to the disposals Fort Garry Brewing Company Ltd. changed its name to 6951946 Manitoba Ltd.

Subsequent to the above disposals, the Company became inactive and during the year ending June 30, 2019 changed its name to RBI Ventures Ltd. and continues to be listed under TSX Venture Exchange NEX Board.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. The Company has a history of losses and has a working capital deficit of $82,617 at June 30, 2019. These factors form a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on completing equity financings, obtaining support from related parties or generating consistent, profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

b) Basis of Presentation, Functional Currency and Basis of Consolidation

The following companies have been consolidated for the years ended June 30, 2019 and 2018:

Company Name	Registered	Holding	Functional Currency
Russell Breweries Inc.	British Columbia	Parent Company	Canadian Dollar
6951946 Manitoba Ltd.	Manitoba	100%	Canadian Dollar

During the year ended June 30, 2019, the Company’s subsidiary, Russell USA LLC, was administratively dissolved.

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

In December 2018 the Company completed a share consolidation of its issued and outstanding common shares on the basis of one post consolidation share for each twenty-five pre consolidation shares. All share and per share amounts have been retrospectively adjusted to reflect the share consolidation.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

b) Basis of Presentation, Functional Currency and Basis of Consolidation (continued)

As discussed in Note 1, during the year ended June 30, 2017, the Company's FGB and RBC lines of business were sold and the related results of operations for years ended June 30, 2019 and 2018 have been presented as discontinued operations.

c) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, presented in Canadian dollars, except where otherwise indicated.

d) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions and estimates are based on historical experience, business trends and all available information that management considers relevant at the time of the preparation of the consolidated financial statements. However, future events and their effects cannot be anticipated with certainty and so as confirming events occur, actual results could ultimately differ from assumptions and estimates. Such differences could be material.

The following discusses the most significant accounting judgment and estimates that the Company has made in the preparation of these consolidated financial statements.

(i) Significant Judgement

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue operating for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management has assessed the Company's ability to raise financing and concluded that going concern basis is appropriate.

(ii) Significant Estimates

Significant areas requiring the use of management estimates include valuation and collectability of amounts receivable, valuation of deferred income tax assets, deferred income tax liabilities and tax rates. Actual results could differ from the estimates made.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS and reflect management's consideration of the following significant accounting policies:

(a) Financial Instruments

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date. All financial instruments are recognized when the Company becomes a party to contractual provisions of these instruments. Financial instruments initially recorded at fair value. Financial assets are classified into one of three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost using effective interest method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

Financial instruments comprise cash and cash equivalents, accounts payable and accrued liabilities and loans from related parties. Management accounts for financial instruments as follows:

(i) Financial assets

Amortized cost
Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest method.

Fair value through other comprehensive income
Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss
By default, all other financial assets are measured subsequently at FVTPL. The Company's cash and cash equivalents are measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial Instruments (continued)

(ii) Financial liabilities

Financial liabilities at amortized cost include accounts payable and accrued liabilities and loans from related parties. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the statements of operations and comprehensive income (loss).

(b) Cash and Cash Equivalents

Cash and cash equivalents are designated as fair value through profit or loss ("FVTPL") and include cash on account, demand deposits and money market investments with maturity days of 90 days or less which are readily convertible to known amounts of cash and are not subject to significant changes in value.

(c) Share-based Compensation

The Company uses the fair value based method of accounting for share based compensation for all awards of shares and share options granted.

The fair value, using the Black-Scholes option pricing model, of options granted to executive officers, directors, employees and consultants is recognized as an expense with a corresponding increase in equity. Where share options are given to employees, who are defined as employees for legal or tax purposes, the fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Where options are granted to non-employees, they are recorded at the fair value of the goods or services provided, unless the fair value cannot be reasonably estimated, in which case they are recorded at the fair value of the equity instruments granted.

(d) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, measured using the substantively enacted tax rates which apply when these differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences and tax loss and tax credit carry-forwards to the extent that it is probable that taxable profit will be available to utilize them.

Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the statement of financial position date that are expected to apply to the year when the asset is is realized or liability is settled.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing net earnings/loss by the weighted average number of common shares outstanding during the year. Diluted earnings/loss per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of “in the money” stock options, warrants and agent warrants and unit options.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Newly Adopted Accounting Standards

During the year ended June 30, 2019 the Company adopted the following accounting standards:

The Company adopted IFRS 15, “Revenue from Contracts with Customers”, which establishes a single five-step model framework for determining the nature, amount, timing an uncertainty of revenue and cash flow arising from the Company’s contracts with customers. The five-step model is described below:

Step 1: Identify the contract;
Step 2: Identify separate performance obligations;
Step 3: Determine transaction price;
Step 4: Allocate the transaction price to the performance obligations; and
Step 5: Recognize revenue when performance obligation is satisfied.

Adoption of IFRS 15 did not have an impact on the Company’s consolidated financial statements as the Company does not generate revenues.

The Company also adopted IFRS 9, “Financial Instruments”. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, does not have an impact on the carrying amounts of financial assets.

The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company’s existing financial instruments on transition date as the Company does not have complex financial instruments.

(b) Future Changes in Accounting Standards

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Updates that are not applicable or consequential to the Company have been excluded from the following list.

IFRS 16, “Leases” will be effective for accounting periods on or after January 1, 2019. This standard sets out a new model for lease accounting, bringing off-balance sheet leasing arrangements onto the balance sheet. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The adoption of these future standards is not expected to have a material effect on the Company’s future results and financial position.

(Expressed in Canadian Dollars)

5. FORT GARRY SALE AND RUSSELL SALE

During the year ended June 30, 2017, the Company entered into two asset sales agreements with different purchasers of FGB and RBC for total consideration of $7,802,670 and $1,816,397 respectively. The transactions closed on November 30, 2016 for FGB and December 15, 2016 for RBC.

These sales comprise the only operating segment in the Company and are presented as discontinued operations. The consolidated statements of comprehensive loss have been presented to show the discontinued operations as a single line item and are therefore separated from continuing operations in the current and comparative periods.

The following presents the net income (loss) from discontinued operations for the years ended June 30, 2019 and 2018:

	2019	2018
	$	$
Other expense (income)	(59,220)	36,070
Income (loss) from operating activities of discontinued operations	59,220	(36,070)
Gain (loss) on sale of discontinued operations before tax	-	(6,845)
Deferred income tax expense	-	-
Gain (loss) on sale of discontinued operations	-	(6,845)
Net Income (loss) from discontinued operations	59,220	(42,915)
Cash flow from (used in) discontinued operations		
Operating activities	59,220	(42,915)
Investing activities	-	1,803,102
Financing activities	-	-

During the year ended June 30, 2019, financial liabilities considered legally discharged were derecognized and a gain of $62,858 was classified as other income in the statement of net income (loss) from discontinued operations above.

During the year ended June 30, 2018 the Company received $1,091,827 in connection with the FGB asset sale, including General Liability Holdback and interest payment in the amount of $1,000,000, working capital adjustment in the amount of $87,125 and interest of $4,702.

The Company also received $711,275 in connection with the RBC asset sale, including of outstanding proceeds in the amount of $480,000, and General Liability Holdback and interest payment in the amount $231,275.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued Share Capital

In December 2018 the Company completed a share consolidation of its issued and outstanding common shares (see Note 2 (b)).

In January 2018 the Company declared and paid a second return of capital of $0.875 ($0.035 pre-consolidated) per common share for a total distribution of $3,047,933.

Stock Options

Under the Company's stock option plan (the "Plan"), the Company's board of directors is authorized to grant stock options to directors, officers, consultants and employees of the Company not to exceed 10% of the issued and outstanding common shares of the Company from time to time. Stock options granted under the Plan are exercisable over a period not exceeding five years from the date granted. Exercise prices may not be less than the market price of the common shares on the date of grant less applicable discounts permitted by the TSX Venture Exchange. Vesting terms are determined by the board of directors on the date of grant.

The January 2018 distribution to the stock option holders, which was approved by the Board of Directors in April 2017, was $52,875, $4,933 less than the amount estimated. This gain has reduced share-based compensation included in general and administrative expenses in the consolidated statement of loss.

There are no stock options outstanding at June 30, 2019 as all options terminated as part of the return of capital distributions. Share-based payment reserves of $3,854,489 recorded on the issuance of previous stock options granted have been re-classified to reduce the deficit.

The following presents the stock option activity before share consolidation:

	Number of shares	Weighted Average Exercise Price
Balance, June 30, 2017	3,600,000	$ 0.07
Cancelled on payment of non-exercised options	(3,525,000)	(0.07)
Forfeited	(75,000)	(0.07)
Balance, June 30, 2018 and 2019	-	-

(Expressed in Canadian Dollars)

7. INCOME TAXES

(a) Deferred Tax Assets and Liabilities

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

	2019	2018
	$	$
Deferred tax assets (liabilities):		
Non-capital losses carried forward	**1,792,000**	2,211,000
Capital losses carried forward and other	**17,000**	14,000
	1,809,000	2,225,000
Unrecognized deferred tax assets	**(1,809,000)**	(2,225,000)
Net deferred tax assets	**-**	-

(b) Non-Capital Losses Carried forward and Expiry Dates

The Company has non-capital losses of approximately $6,636,000 (2018 - $8,188,000) which may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities, and expiring as follows:

Year expires	**$**
2026	56,000
2027	187,000
2028	448,000
2029	468,000
2030	441,000
2031	948,000
2032	699,000
2033	298,000
2034	605,000
2035	828,000
2036	873,000
2037	436,000
2038	282,000
2039	67,000
	6,636,000

(Expressed in Canadian Dollars)

7. INCOME TAXES (continued)

(c) Reconciliation of Tax Rates

The Company is subject to Canadian federal and provincial taxes at an approximate rate of 27.25% for the year ended June 30, 2019 (2018 – 26%). The reconciliation of the provision for income taxes at the statutory rate compared to the Company's income tax recovery (expense) is as follows:

	2019	2018
	$	$
Loss before income taxes	**4,965**	305,616
Statutory tax rate	**27.25%**	26%
Expected income tax recovery at statutory rates	**1,353**	79,460
Permanent differences and other	**(79,972)**	(1,200)
Differences between current and future rates	**3,105**	81,740
Expiry of non-capital losses	**(340,805)**	-
Change in unrecognized deferred tax assets	**416,319**	(160,000)
Income tax recovery (expense)	**-**	-

8. RELATED PARTY TRANSACTIONS AND BALANCES

The compensation costs for key management personnel, identified as directors and certain key management personnel and companies related to them, were recorded at their exchange amounts in the normal course of operations as agreed upon by transacting parties as follows:

	2019	2018
	$	$
Short-term benefits:		
Salaries and management fees	**-**	62,644
Directors fees	**-**	16,602
	-	79,246

During the year ended June 30, 2019 the Directors loaned the Company $47,000. The loans are unsecured, bear no interest and are due on demand.

During the year ended June 30, 2018, the Company incurred and paid management fees to a company controlled by the previous CEO in the amount of $62,644.

During the year ended June 30, 2018, the Company incurred and paid director's fees of $16,602.

At June 30, 2019 $Nil (2018 - $2,217) was owed to the CEO for expense re-imbursements. These amounts are non-interest bearing and have no specific repayment terms.

9. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS

(a) Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities and loans from related parties are reasonable estimates of fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

(b) Fair Value Measurements

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

Level 1 - Quoted Prices in Active Markets for Identical Assets
Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Significant Other Observable Inputs
Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Significant Unobservable Inputs
Unobservable (supported by little or no market activity) inputs.

At June 30, 2019 and 2018 all financial assets and liabilities were measured at fair value on a recurring basis using Level 1 measurement.

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	**Significant Other Observable Inputs (Level 2) $**	**Significant Unobservable Inputs (Level 3) $**	**Balance as of June 30, 2019 $**
Assets:				
Cash and cash equivalents	12,995	–	–	12,995

9. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND FINANCIAL RISKS (continued)

(b) Fair Value Measurements (continued)

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Balance as of June 30, 2018 $
Assets:				
Cash and cash equivalents	35,287	–	–	35,287

(c) Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible. The Company's liabilities have contractual maturities of less than one year.

At June 30, 2019, the Company had a working capital deficit of $82,617 (see Note 1).

10. CAPITAL MANAGEMENT

The goal of the Company is to maximize the return of capital to its shareholders and safeguard its ability to continue as a going concern and continue operations. Management considers loans from related parties and shareholders' equity as capital. The Company's principal source of capital is from issuance of shares. The Company is not subject to any externally imposed capital requirements.