Consolidated Financial Statements

As at and for the years ended

June 30, 2019 and 2018

(Expressed in Canadian dollars)

McGovern Hurley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Xtraction Services Holdings Corp. (formerly Caracara Silver Inc).

Opinion

We have audited the consolidated financial statements of Xtraction Services Holdings Corp. (formerly Caracara Silver Inc). (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in shareholders' (deficiency) equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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.

Other matter

The consolidated financial statements of the Company for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on October 23, 2018.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 of the audit resulting in this independent auditor’s report is Koko Yamamoto.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 4, 2019

Caracara Silver Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at June 30,	**2019**	2018
	$	$
Assets		
Current assets		
Cash	**958,759**	1,121,383
Sales taxes receivable	**4,412**	14,330
Total current assets	**963,171**	1,135,713
Non-current assets		
Investment *(note 8)*	**1**	-
Total non-current assets	**1**	-
Total assets	**963,172**	1,135,713
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 9)*	**77,185**	114,103
Amounts due to related parties *(note 10)*	**11,300**	44,860
Total current liabilities	**88,485**	158,963
Total liabilities	**88,485**	158,963
Shareholders' Equity		
Share capital *(note 13)*	**8,046,137**	8,046,137
Contributed surplus *(note 13)*	**-**	699,705
Deficit	**(7,171,450)**	(7,769,092)
Total shareholders' equity	**874,687**	976,750
Total liabilities and shareholders' equity	**963,172**	1,135,713

Going concern *(note 2)*
Subsequent events *(note 17)*

Approved for issuance on behalf of the Board on November 4, 2019:

"Gary Herman" "Stephen Christoffersen"

Director Director

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

Caracara Silver Inc.
Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

Years ended June 30,	2019	2018
	$	$
Exploration and evaluation income *(note 14)*	**(150,000)**	(50,000)
Administrative expenses		
Consulting and professional fees	**80,871**	114,252
Directors' fees and expenses *(note 10)*	**-**	10,000
General and administrative	**8,702**	4,047
Investor relations	**-**	61
Management fees and salaries *(note 10)*	**99,000**	36,500
Shareholder and public company expenses	**13,884**	33,200
Total administrative expenses	**202,457**	198,060
Total net expenses	**(52,457)**	(148,060)
Foreign exchange (loss) gain	**(3,218)**	2,196
Gain on retirement of promissory note *(note 12)*	**-**	19,860
Gain on forgiveness of accounts payable *(note 9)*	**28,608**	23,868
Interest income (expense)	**3**	(7,368)
Write-down of investment *(note 8)*	**(74,999)**	-
Net loss and comprehensive loss for the year	**(102,063)**	(109,504)
Basic and diluted loss per share	**(0.00)**	(0.01)
Weighted average number of common shares outstanding	**24,402,901**	8,094,933

Caracara Silver Inc.
Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
Years ended June 30, 2019 and 2018
(Expressed in Canadian dollars)

	Share Capital				
	Number of shares *(note 12)*	**Amount**	**Contributed surplus**	**Deficit**	**Total**
		$	**$**	**$**	**$**
Balance at June 30, 2017	5,189,568	7,413,722	-	(7,659,588)	(245,866)
Issuance of shares for cash	19,213,333	1,366,000	-	-	1,366,000
Share issue costs	-	(33,880)	-	-	(33,880)
Value of issued warrants	-	(642,786)	642,786	-	-
Value of issued finders' units	-	(56,919)	56,919	-	-
Net loss for the year	-	-	-	(109,504)	(109,504)
Balance at June 30, 2018	24,402,901	8,046,137	699,705	(7,769,092)	976,750
Expiry of warrants	**-**	**-**	**(699,705)**	**699,705**	**-**
Net loss for the year	**-**	**-**	**-**	**(102,063)**	**(102,063)**
Balance at June 30, 2019	**24,402,901**	**8,046,137**	**-**	**(7,171,450)**	**874,687**

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

Caracara Silver Inc.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended June 30,	2019	2018
	$	$
Operating activities		
Net loss	**(102,063)**	(109,504)
Adjustment to reconcile net loss:		
Interest *(note 12)*	**-**	6,600
Gain on promissory note retirement *(note 12)*	**-**	(19,860)
Gain on forgiveness of accounts payable *(note 9)*	**(28,608)**	(23,868)
Shares received as option payment *(notes 8 and 14)*	**(75,000)**	-
Write-down of investment *(note 8)*	**74,999**	-
Net change in non-cash working capital items:		
Sales taxes receivable	**9,918**	(11,310)
Accounts payable and accrued liabilities	**(8,310)**	49,453
Shareholder loan *(note 11)*	**-**	(12,841)
Repayment of amounts due to related parties *(note 10)*	**(33,560)**	(32,140)
Cash (used for) operating activities	**(162,624)**	(153,470)
Financing activities		
Shares issued for cash (net of issuance costs)	**-**	1,366,000
Issuance costs	**-**	(33,880)
Repayment of promissory note *(note 12)*	**-**	(60,000)
Cash provided from financing activities	**-**	1,272,120
(Decrease) increase in cash at end of year	**(162,624)**	1,118,650
Cash at beginning of year	**1,121,383**	2,733
Cash at end of year	**958,759**	1,121,383

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

1. Corporate information

Caracara Silver Inc. (the "Company" or "Caracara") was incorporated under the laws of British Columbia on December 3, 2009. On September 12, 2019, the Company changed its name to Xtraction Services Holdings Corp.

The principal business activity of the Company is the acquisition, exploration and development of mineral properties in Peru. The Company's main and registered office is located at 1880 Century Park East, Suite 250, Los Angeles, California, 90067.

As the Company has optioned its only property (see note 14), it does not meet the continued listing requirements of the TSX Venture Exchange ("TSXV"). As a result, as of October 17, 2016, the Company has migrated to the NEX market, a sub-board of the TSXV, and traded under the symbol "CSV.H". On April 30, 2018, the Company completed a 1-for-10 share consolidation (see note 13) and changed its symbol to "SILV.H".

On August 13, 2018, the Company and Xtraction Services, Inc. ("Xtraction") entered into a binding letter of intent ("LOI") setting out the conditions of a proposed business combination between Caracara and Xtraction (the "Transaction") pursuant to which the Company will acquire all of the issued and outstanding common shares of Xtraction. It was contemplated that the Transaction would be structured as a "reverse triangular merger" between Xtraction, Caracara and a wholly-owned subsidiary of Caracara to be incorporated under the laws of Delaware. On September 12, 2019, the Company completed the Transaction with Xtraction (see note 17) and commenced trading on the Canadian Securities Exchange under the symbol "XS" on September 13, 2019.

Pursuant to the amended Option Agreement (note 14), the Company affected the sale ("Sale") of the Property to Alcon Exploration Corp. ("Alcon"), leaving Solex with no concession assets. In concert with the Sale and in anticipation of the closing of the Transaction, the Company commenced the wind-up and dissolution of Solex and on January 31, 2019, the Company received the final certificate of dissolution from the Superintendent of National Registrations for Peru.

2. Continuance of operations and going concern

These annual consolidated financial statements (the "Consolidated Financial Statements") are prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company had working capital of $874,686 as at June 30, 2019 (2018 – $976,750), and an accumulated deficit of $7,171,450 (2018 - $7,769,092). The net loss for the year ended June 30, 2019 was $102,063 (2018 – $109,504).

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The ability of the Company to continue as a going concern and meet its commitments as they become due, is dependent on the Company's ability to attain profitable operations and/or obtain the necessary financing. With the completion of the Transaction (see note 17), management believes that the Company has sufficient working capital to maintain its operation for the upcoming fiscal year.

3. Basis of preparation

3.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Consolidated Financial Statements were approved for issuance by the Company's Board of Directors on November 4, 2019.

3.2 Basis of presentation

The Consolidated Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in *note 4*. The Consolidated Financial Statements are presented in Canadian dollars, the Company's functional currency.

3.3 Basis of consolidation

Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries, CSI Princesa Inc. incorporated in Ontario, Canada and Solex del Peru S.A.C. ("Solex") incorporated in Peru, up to January 31, 2019 (the date of dissolution). The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

3.4 Adoption of new and revised standards and interpretations

IFRS 9 Financial Instruments

Issued by IASB	July 2014
Effective for the Company's annual period beginning	July 1, 2018

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments ("IFRS 9") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely

retains the existing requirements in IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on July 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on July 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;

- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of operations and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost
Sales taxes receivable	Loans and receivables	Amortized cost
Investment	Available-for-sale	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Amounts due to related parties	Other financial liabilities	Amortized cost

The original carrying values of the Company's consolidated financial instruments under IAS 39 has not changed under IFRS 9.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment is classified as Level 3.

IFRS 15 *Revenue from Contracts with Customers*

Issued by IASB	May 2014
Effective for the Company's annual period beginning	July 1, 2018

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

Revenue is recognized based on a five-step model:

1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company currently has option revenue and has adopted this policy, as applicable. The adoption of this policy has not resulted in any material changes in the consolidated financial statements.

IFRS 16 *Leases*

Issued by IASB	January 2016
Effective for the Company's annual period beginning	July 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.

- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the consolidated statement of operations and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is currently assessing the implications IFRS 16 will have on the Consolidated Financial Statements.

4. Summary of significant accounting policies

4.1 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

On the disposal of interest in connection with the option agreement (*note 14*), the Company does not recognize expenses related to the exploration and evaluation performed on the property by the optionee. In addition, the cash or shares consideration received directly from the optionee is credited against exploration and evaluation expenditures in profit or loss.

4.2 Decommissioning, restoration and similar liabilities ("asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4.3 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). Where equity instruments are granted to employees or others providing similar services, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

In situations where equity instruments are issued to non-employees, they are recorded at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of goods or services cannot be reliably measured), and are recorded at the date the goods or services are received.

For those equity-settled awards that expire unexercised after vesting, the recorded value is transferred to deficit.

4.4 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be

available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statements of operations and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4.5 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the year ended June 30, 2018, all the outstanding stock options and warrants were anti-dilutive. As at June 30, 2019, there were no stock options or warrants outstanding.

4.6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable

amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

4.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.8 Related-party transactions and balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.9 Foreign currency transactions

Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations and comprehensive loss.

4.10 Unit offerings

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “unit”) and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The fair value of the components of the units sold are measured using the relative fair value approach, based on the calculated fair value of the stand-alone shares through reference to the quoted market price at the completion of the financing and the fair value of the stand-

alone warrant, using the Black-Scholes option pricing model. The fair value of units exercisable into common shares and warrants are estimated using the Geske option model. Consideration received on the exercise of warrants is recorded as share capital and the recorded amount to reserve is transferred to share capital.

4.11 Significant accounting judgments and estimates

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 profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the Consolidated Financial Statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The going concern assumption

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- The determination of the Company's functional currency

The functional currency of the Company is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

- The determination of the fair value of warrants, units and finders' units

As noted above, the Company estimates the fair value of derivative instruments for any issued share purchase warrants and units using the Black-Scholes option pricing model and the fair value of compound instruments (such as finders' units exercisable into a common share and share purchase warrant) using the Geske option pricing model. Use of both of these models requires management to make subjective assumptions and use variables that it deems appropriate in the circumstances, including expected price volatility, expected life, interest rates and forfeiture rates. Changes in the inputted assumptions and variables could have a material affect on the estimated fair value and the Company's contributed surplus.

- Valuation of private entity investment

The Company has an investment in a private entity and is required to make judgments to determine the fair value subsequent to initial recognition. See note 8.

- Contingencies

See note 14.

5. Capital management

The Company considers its capital to be equity, which is comprised of share capital, contributed surplus and deficit. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company currently has no source of operating cash flow. The Company intends to raise additional funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended June 30, 2019 and 2018. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

As at June 30, 2019 and June 30, 2018, the Company's financial instruments consist of cash, sales taxes receivable, investment, accounts payable and accrued liabilities and amounts due to related parties. The fair value of cash, sales taxes receivable, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values due to the relatively short-term-to-

maturity nature. The fair value of the Company's investment has been estimated using level 3 inputs from the fair-value hierarchy.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to its financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations to the Company. Financial instruments that potentially subject the Company to concentrations of credit risks consist of the Company's cash. To minimize the credit risk, the Company places its cash with high credit quality financial institutions. Cash is held with a major Canadian bank and therefore the risk of loss is minimal.

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company typically settles its financial obligations out of cash and occasionally will settle liabilities with the issuance of common shares. The ability to settle obligations with cash relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

As at June 30, 2019, the Company had cash of $958,759 (2018 – $1,121,383) and liabilities of $88,485 (2018 - $158,963) and therefore has sufficient funds to settle its current liabilities. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. In addition, in order to meet its longer-term working capital requirements, property exploration expenditures or other business opportunities, the Company intends on securing further financing to ensure that those obligations are properly discharged.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. **Interest rate risk**
The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. The promissory note was fully discharged during the year ended June 30, 2018.

b. **Currency risk**
Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars or other foreign currencies. Management believes that foreign currency risk derived from currency conversions is negligible, and therefore, does not hedge its foreign currency risk.

c. Price risk
The Company is not subject to price risk.

7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period.

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution. As at June 30, 2019 and 2018, the Company's exposure to foreign currency balances is as follows:

Account	**Foreign Currency**	**Exposure ($CDN)**	
As at June 30,		**2019**	2018
Cash	US dollar	**179,799**	182,245
Accounts payable	US dollar	**-**	(28,459)

The Company believes that a change of 10% in foreign exchange rates would cause consolidated operations and comprehensive income (loss) to increase/decrease by approximately $18,000 for the year ended June 30, 2019 (2018 - $15,400).

8. Investment

The Company's investment is classified as FVTPL and consists of 800,000 common shares (the "Alcon Shares") of Alcon, a privately held entity, which it accepted as partial consideration for Alcon's Second Anniversary option payment of $75,000 (see note 14). When received, the fair value of the Alcon Shares was estimated at $75,000 based on the option payment due by Alcon. During the year ended June 30, 2019, the Company revalued its investment in Alcon Shares to $1 in order to reflect management's best estimate of fair value. This determination was made due to the absence of market pricing, the lack of liquidity associated with the investment and limited visibility of when, if ever, the investment may be monetized or sold.

9. Accounts payable and accrued liabilities

Accounts payable of the Company are principally comprised of amounts outstanding for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days.

The following is a breakdown analysis of the accounts payable and accrued liabilities:

As at June 30,	**2019**	2018
	$	$
Suppliers	**3,913**	84,085
Accrued liabilities	**73,272**	30,018
Total accounts payable and accrued liabilities	**77,185**	114,103

During the year ended June 30, 2018, the Company settled with some of its Peruvian accounts payable on a discounted basis. The resulting gain on forgiveness of accounts payable of $23,868, has been recorded and is shown on the consolidated statements of operations and comprehensive loss.

During the year ended June 30, 2019, the Company recorded a gain on forgiveness of accounts payable on its Peruvian accounts payable of $28,608 in the consolidated statements of operations and comprehensive loss.

10. Related party transactions and key management compensation

The Consolidated Financial Statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The Company incurred fees and expenses in the normal course of operations in connection to officers and directors, or companies controlled by them, as follows:

Years ended June 30,	**2019**	2018
	$	$
Management fees	**99,000**	36,500
Directors' fees and expenses	**-**	10,000

For the year ended June 30, 2019, $99,000 (2018 - $36,500) of management fees was paid or payable to a company controlled by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

As at June 30, 2019, amounts owing to directors is $nil (2018 - $30,000) and to a company controlled by the Company's CEO and CFO is $11,300 (2018 - $14,860). The amounts owing are unsecured, interest-free and have no fixed terms of repayment.

11. Loan from shareholder

During the year ended June 30, 2017, the Company was provided a loan from a shareholder in the amount of $12,217. The loan was due on demand, unsecured and bore interest at 15% per annum. During the year ended June 30, 2018, the loan of $13,609 (including accrued interest of $1,392), was paid in full. Interest on the loan amounted to $nil (2018 - $768), with such amount included in the consolidated statements of operations and comprehensive loss.

12. Promissory note

The following is a continuity of the promissory note payable (the "Note") to a third party, which bore interest at a rate of 12% per annum and was retired during the year ended June 30, 2019.

	$
Balance, June 30, 2017	73,260
Accrued interest for the year	6,600
Gain on retirement of Note	(19,860)
Retirement amount paid	(60,000)
Balance, June 30, 2018 and June 30, 2019	**-**

13. Share capital

Authorized share capital consists of an unlimited number of common shares, without par value.

Consolidation

On April 30, 2018, the Company completed a 1-for-10 share consolidation (the "Consolidation"). Outstanding shares and weighted-average outstanding shares, options and warrants have been adjusted to account for the Consolidation.

Year ended June 30, 2019

The Company did not issue any common shares during the year ended June 30, 2019.

Year ended June 30, 2018

In June 2018, the Company completed a private placement issuing 16,213,333 units (each a "Unit") at $0.075 per Unit, raising gross proceeds of $1,216,000. Each Unit consisted of one common share and one share-purchase warrant (a "Warrant"). The Warrants are exercisable into one common share at a price of $0.15 each, until maturity on June 10, 2019. In addition, the Company paid cash finders fees of $33,881 and issued 451,743 finders' units (each a "Finder Unit"). Each Finder Unit is exercisable for $0.10 into one common share and finders'-share warrant (a "Finder-Share Warrant"). Each Finder-Share Warrant was exercisable for $0.15 into one common share and expired on June 10, 2019.

The fair value of $569,419 for the warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.90%, expected volatility of 319.57%, expected life of one year, dividend rate of nil and share price at the issuance date of $0.125. A fair value of $56,919 for the Finders' Units issued was estimated using the Geske option pricing model with the following assumptions: Risk-free interest rate of 1.90%, expected volatility of 186.34%, dividend rate of nil, share price at the issuance date of $0.125, exercise price of the compound option of $0.10, exercise price of the underlying option of $nil, an expected life of the compound option of 0.5 years and expected life of the underlying option of one year.

In November 2017, the Company completed a private placement issuing 3,000,000 Units at $0.05 per Unit, raising gross and net proceeds of $150,000. Each Unit consisted of one common share and one Warrant. Each Warrants is exercisable into one common share at a price of $0.05, until expiry on November 3, 2018.

A fair value of $73,366 for the Warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.43%, expected volatility of 373.9%, expected life of one year, dividend rate of nil and share price at the issuance date of $0.10.

Options

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at June 30, 2019, the Company had 2,440,290 (2018 – 2,440,290) options available for issuance.

There were no options outstanding as at June 30, 2019, 2018 and 2017.

Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance as at June 30, 2017	-	-
Warrants issued	19,213,333	0.13
Balance as at June 30, 2018	19,213,333	0.13
Warrants expired	(19,213,333)	(0.13)
Balance as at June 30, 2019	-	-

There were no warrants outstanding as at June 30, 2019.

14. Exploration and evaluation expenditures (income)

The evaluation and exploration expenses for the Company are broken down as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
	$	$
Recovery due to option agreement	**(150,000)**[1]	(50,000)[1]
Total exploration and evaluation expenditures (income)	**(150,000)**	(50,000)

[1]Payments received pursuant to the Option Agreement, as defined below.

Mineral projects

On August 31, 2016, (the "Option Date"), the Company executed an option agreement, with amendment dated November 10, 2018 (the "Option Agreement") with Alcon (the "Optionee"), whereby Alcon has the option to earn a 100% interest in the Company's Princesa silver concessions located in Peru (the "Property").

Alcon can exercise the option by paying the Company the following amounts:

(a) An aggregate sum of $250,000 as follows:

(i) $50,000 (the "Initial Payment") within seven business days of the approval of the Option Agreement by the TSXV (the "Approval Date") (received);

(ii) $50,000 on or before the first anniversary of the Approval Date (the "First Anniversary Payment") (received); and

(iii) $150,000 on or before the second anniversary of the Approval Date (the Second Anniversary Payment") (received); and

(b) 2,000,000 common shares of the capital of Alcon upon closing of a going-public transaction by Alcon, in accordance with the Option Agreement.

The Initial Payment and the First Anniversary Payment and Second Anniversary Payment have been recorded as a reduction to exploration expenditures during the years ended June 30, 2019 and 2018.

Pursuant to the amended Option Agreement, consideration for the Second Anniversary Payment consisted of the following:

(i) $75,000, settled in cash (received 800,000 common shares of Alcon in lieu of the $75,000 cash payment) (see note 8); and
(ii) $61,611, settled in cash (received); and
(iii) $13,389 (US$10,000), settled in cash to Solex as consideration for the transfer of the Property to a Peruvian subsidiary of Alcon (received and transfer completed).

The Company will maintain a 1.5% net smelter return ("NSR"), of which 1%NSR which can be purchased by Alcon for $1 million.

Contingency

During the year ended June 30, 2017, Solex appealed an order by the Organismo de Evaluaciaon y Fascalizacion Ambiental ("OEFA") (the local Peruvian environmental authority) to pay a fine, the amount of which was not determined, but could amount to approximately US$8,000, for failing to make proper restoration to one of its old projects (the "Marcia" project). Although Solex completed the restoration pursuant to the closure plan, the OEFA contends that certain areas within Marcia, were not restored as original. In November 2016, the OEFA denied Solex's appeal and confirmed Solex as a repeat offender, but did not establish any fine. The Company believes that any fine levied will be reduced to a prescribed de minimis amount. As the outcome cannot be determined at this time, no accrual has been made in these Consolidated Financial Statements. Solex was dissolved on January 31, 2019.

15. Segmented information

As at June 30, 2019 and 2018, the Company has only one operating and geographic segment, the corporate administration of the Company from Canada. As such, amounts disclosed in the Consolidated Financial Statements also represent the single operating and geographic reporting segments.

16. Income taxes

A reconciliation of income taxes computed at Canadian statutory rates to the reported income taxes for the years ended June 30, 2019 and 2018 is provided as follows:

	2019	2018
	$	$
Loss for the year	**(102,063)**	(109,504)
Canadian statutory tax rate	**26.5%**	26.5%
Income tax recovery computed at the statutory rate	**(27,000)**	(29,018)
Non-deductible expenses	**10,063**	-
Foreign tax rates different from statutory rates	**-**	(431)
Effect of change in tax rate	**-**	(34,030)
Change in timing differences	**-**	(4,415)
Unused tax offsets not recognized as tax assets	**16,937**	67,894
	-	-

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts as at June 30, 2019 and 2018:

	2019	2018
	$	$
Non-capital losses carried forward	**3,531,000**	4,324,000
Exploration and evaluation assets	**11,830**	11,830
Share issue costs	**20,000**	27,100
Investment	**75,000**	-
Other	**89,000**	-
Unrecognized deductible temporary differences	**3,726,830**	4,362,930

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $3,531,000 available for carry-forward to reduce future years' taxable income.

Non-capital losses expire as follows:

	$
2029	2,000
2030	58,000
2031	77,000
2032	1,032,000
2033	765,000
2034	717,000
2035	486,000
2036	172,000
2037	50,000
2038	142,000
2039	30,000
Total non-capital loss carry-forwards	3,531,000

17. Subsequent events

On September 12, 2019, the Company announced that it completed the Transaction between the Company and Xtraction that resulted in the reverse take-over of the Company by Xtraction. In connection with the closing of the Transaction, Xtraction de-listed its common shares from the NEX Board of the TSXV effective at the close of business on September 6, 2019. The common shares of Xtraction Services Holdings Corp., the resulting issuer of the Transaction, commenced trading on the Canadian Securities Exchange under the symbol “XS” on September 13, 2019.