MONTEGO RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIODS ENDED

SEPTEMBER 30, 2018 AND 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

MONTEGO RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

EXPRESSED IN CANADIAN DOLLARS

	Note	**September 30, 2018 (unaudited)**	**June 30, 2018 (audited)**
		$	$
ASSETS			
CURRENT			
Cash		1,428,327	1,942,077
Amounts receivable		181,327	176,291
Prepaid expenses	5,10	142,677	227,111
Investments	12	114,286	135,000
		1,866,617	2,480,479
NON-CURRENT			
Equipment	7	4,660	4,908
Exploration and evaluation assets	6	2,210,305	2,100,828
		2,214,965	2,105,736
		4,081,582	4,586,215
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	10	245,939	224,999
Convertible debentures	8	1,063,979	1,024,706
		1,309,918	1,249,705
SHAREHOLDERS' EQUITY			
Share capital	9	8,730,328	8,730,328
Subscription receivable	9	(50,000)	(50,000)
Contributed surplus	9	907,885	907,885
Equity component of convertible debentures	8	60,870	60,870
Accumulated other comprehensive loss		(95,714)	-
Deficit		(6,781,705)	(6,312,573)
		2,771,664	3,336,510
		4,081,582	4,586,215

NATURE OF OPERATIONS (Note 1)
COMMITMENT (Note 14)
SUBSEQUENT EVENT (Note 15)

Approved and authorized for issue on behalf of the Board on November 26, 2018

/s/ Adam Cegielski Director
Adam Cegielski

/s/ Anthony Jackson Director
Anthony Jackson

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

MONTEGO RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Note		**Three months ended September 30, 2018**		**Three months ended September 30, 2017**
EXPENSES					
Automobile		$	2,255	$	-
Consulting fees	10		165,541		265,962
Depreciation	7		248		-
Interest expense	8		39,291		-
Insurance			1,608		-
Management fees	10		15,000		46,310
Office and miscellaneous			9,991		6,355
Professional fees	10		6,678		606
Rent			-		3,200
Transfer agent and filing fees			3,110		3,765
Travel and promotion			291,940		316,092
			(535,662)		(642,290)
OTHER ITEMS					
Loss on sale of property	6		(5,305)		(201,400)
Foreign exchange loss			(3,165)		(1,747)
Unrealized gain on investments	12		-		14,286
NET LOSS			(544,132)		(831,151)
OTHER COMPREHENSIVE LOSS					
Unrealized loss on investments	12		(20,714)		-
NET LOSS AND COMPREHENSIVE LOSS		$	(564,846)	$	(831,151)
LOSS PER SHARE – basic and diluted		$	(0.01)	$	(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			45,151,570		15,857,883

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

MONTEGO RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Common Shares								
	Number of Shares	**Amount**	**Shares to be issued**	**Contributed Surplus**	**Subscription receivable**	**Equity Component of Convertible Debentures**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
		$	$	$	$	$	$	$	$
Balance, June 30, 2017	15,857,883	4,316,630	-	628,760	-	-	-	(2,800,469)	2,144,921
Shares to be issued	-	-	185,000	-	-	-	-	-	185,000
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	(831,151)	(831,151)
Balance, September 30, 2017	**15,857,883**	**4,316,630**	**185,000**	**628,760**	**-**	**-**	**-**	**(3,631,620)**	**1,498,770**
Balance, June 30, 2018	**45,151,570**	**8,730,328**	**-**	**907,885**	**(50,000)**	**60,870**	**-**	**(6,312,573)**	**3,336,510**
Impact of adopting IFRS 9 (Note 2)	-	-	-	-	-		(75,000)	75,000	-
Balance, July 1, 2018 (restated)	**45,151,570**	**8,730,328**	**-**	**907,885**	**(50,000)**	**60,870**	**(75,000)**	**(6,237,573)**	**3,336,510**
Other comprehensive loss	-	-	-	-	-	-	(20,714)	-	(20,714)
Net loss for the period	-	-	-	-	-	-	-	(544,132)	(544,132)
Balance, September 30, 2018	**45,151,570**	**8,730,328**	**-**	**907,885**	**(50,000)**	**60,870**	**(95,714)**	**(6,781,705)**	**2,771,664**

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

MONTEGO RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Three months ended September 30, 2018	Three months ended September 30, 2017
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(544,132)	(831,151)
Items not involving cash:		
Depreciation	248	-
Interest on convertible debt	39,273	-
Loss on sale of property	5,305	201,400
Unrealized gain on investment	-	(14,286)
Foreign exchange loss	3,165	1,747
Expenditures on exploration and evaluation included in accounts payable	-	(25,555)
Acquisition on property included in accounts payable	-	(6,037)
	(496,141)	(673,882)
Changes in non-cash working capital balances:		
Amounts receivable	(5,036)	(15,730)
Prepaid expenses and deposits	84,434	146,925
Accounts payable in accrued liabilities	17,775	194,115
Cash used in operating activities	(398,968)	(348,572)
INVESTING ACTIVITY		
Acquisition of property	(114,782)	-
Cash used in investing activity	(114,782)	-
FINANCING ACTIVITY		
Shares to be issued	-	185,000
Cash provided by financing activity	-	185,000
DECREASE IN CASH	(513,750)	(163,572)
CASH, BEGINNING OF PERIOD	1,942,077	163,778
CASH, END OF PERIOD	1,428,327	206
NON-CASH TRANSACTION		
Shares received from sale of property	-	300,000

The Company did not pay any interest or income taxes in cash during the three months ended September 30, 2018 and 2017.

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

1. NATURE OF OPERATIONS

Montego Resources Inc. (“the Company”) was incorporated on July 20, 2012 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 800-1199 West Hastings, Vancouver, British Columbia, Canada.

On September 5, 2018, the Company announced that it will proceed with a name change from Montego Resources Inc. to US Resources Hub Inc. to better reflect the Company’s future focus and its current negotiations, specifically focus on high-quality US-based assets. The name change is subject to approval of the Canadian Securities Exchange.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at September 30, 2018, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time, which indicates the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company had a deficit of $6,781,705 as at September 30, 2018, which has been funded mainly by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These condensed interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended June 30, 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s most recent annual financial statements.

These condensed interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on November 26, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of presentation

The condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

f) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to Nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.’

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component.

k) Changes in accounting policies

Financial Instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* (“IFRS 9”) as of July 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Changes in accounting policies (continued)

Financial Instruments (continued)

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Investments	FVTPL	FVTOCI
Accounts payable	Amortized cost	Amortized cost

Upon the adoption of IFRS 9, the Company made an irrevocable election to classify investments as FVTOCI given they are not held for trading and are instead held as strategic investments that align with the Company's corporate objective.

As the Company did not restate prior periods, it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to the opening accumulated deficit on July 1, 2018 of $75,000 with a corresponding adjustment to accumulated other comprehensive loss.

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Changes in accounting policies (continued)

Financial Instruments (continued)

(ii) Measurement (continued)

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Changes in accounting policies (continued)

Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as of July 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on July 1, 2018.

Share-based Payments

The Company adopted all of the requirements of IFRS 2 *Share-based Payments* ("IFRS 2") as of July 1, 2018. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 2 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on July 1, 2018.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. decommissioning liabilities relating to the Company's mineral property;

iii. the measurement of deferred income tax assets and liabilities; and

iv. the inputs used in accounting for share-based payments in profit or loss.

v. discount rate used to determine the fair value of the liability component of convertible debentures;

Significant accounting judgments

i. the determination of categories of financial assets and financial liabilities; and

ii. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

New Accounting Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - *Leases*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the adoption of these standards and interpretations to have significant impact on the financial statements.

5. PREPAID EXPENSES

The Company had the following prepaid expenses:

	September 30, 2018	**June 30, 2018**
	$	$
Advertising	50,320	-
Consulting fees	90,794	221,731
Lease payment	-	2,255
Insurance	1,563	3,125
	142,677	227,111

6. EXPLORATION AND EVALUATION ASSETS

	Acquisition Costs	**Exploration Costs**	**Total**
	$	$	$
Balance, June 30, 2017	1,652,531	-	1,652,531
Disposal – sale of property	(291,400)	-	(291,400)
Acquisition costs – cash paid	660,485	-	660,485
Acquisition costs – common shares issued	131,500	-	131,500
Property acquisition and staking costs	-	157,712	157,712
Property option and cost recoveries received	(210,000)	-	(210,000)
Balance, June 30, 2018	1,943,116	157,712	2,100,828
Acquisition costs – cash paid	64,875	-	64,875
Acquisition costs – common shares issued	-	44,602	44,602
Balance, September 30, 2018	2,007,991	202,314	2,210,305

Kiyuk Lake Property

On August 29, 2016, the Company entered into a purchase and sale agreement with Northern Empire Resources Corp. ("Northern Empire") to acquire the Kiyuk Lake Property ("Kiyuk"), located in Nunavut, Canada. As consideration, the Company issued 668,000 common shares with a fair value of $701,400 to Northern Empire. In connection with the purchase and sale agreement, the Company also entered into a services agreement whereby Northern Empire will provide various services on the property to the Company.

Kiyuk consists of 57 mineral claims, aggregating 491 square kilometers in southern Nunavut, Canada. As part of the Agreement, the Company is subject to 2% net smelter royalty to be paid to the original vendor of Kiyuk.

On February 28, 2017, the Company entered into an option agreement with Cache Exploration Inc. ("Cache") whereby Cache can earn 100% interest in Kiyuk. To earn the 100% interest, Cache would pay the Company an aggregate amount of $500,000, of which $200,000 was received and had been recorded as a reduction of acquisition costs during the year ended June 30, 2017. Cache made the remaining payments of $300,000 by issuing 3,000,000 common shares with fair value of $210,000 of Cache to the Company during the year ended June 30, 2018.The Company incurred a loss of $291,400 on the disposal of this property.

During the three months ended September 30, 2018, the Company paid $5,305 exploration cost related to Kiyuk which was recorded as loss on sale of property on the statement of comprehensive loss.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Black Dog Gold Property

On March 9, 2017, the Company entered into an option agreement with Caprock Ventures Ltd. ("Caprock") to acquire the 100% interest in the Black Dog Gold Project ("Black Dog"), located in the Northern Quebec area which is approximately 60 kilometers north of Nemiscau, Quebec. The 1,400-hectare Black Dog project consists of a block of 27 mineral claims.

To earn the 100% interest in Black Dog, the Company is required to make cash payments of $1,900,000, issue 2,000,000 common shares of the Company and incur an aggregate exploration expenditures of $1,400,000 as follows:

	Number of Common Shares	Cash	Exploration Expenditures
		$	$
Upon closing of the agreement (issued and paid)	2,000,000	50,000	-
Within 60 days of the closing of the agreement (paid)	-	50,000	-
On or before the 1st anniversary date of the agreement (paid and incurred)	-	100,000	100,000
On or before the 2nd anniversary date of the agreement (paid)	-	200,000	200,000
On or before the 3rd anniversary date of the agreement	-	500,000	500,000
On or before the 4th anniversary date of the agreement	-	1,000,000	600,000
Total	2,000,000	1,900,000	1,400,000

The property is subject to a 2% net smelter return royalty to the Optionor.

As of September 30, 2018, the Company has paid $441,481 and issued 2,000,000 common shares with a fair value of $510,000 to the Optionor.

Taylor Silver Property

On March 28, 2017, the Company entered into an option agreement with Silver Predator Corp. ("Silver") to acquire 100% interest in the mining claims of the Taylor Silver Property ("Taylor"), located in White Pine county in the state of Nevada, USA.

To earn the 100% interest in Taylor, the Company is required to make cash payments of US$1,200,000, issue 2,500,000 common shares of the Company and incur an aggregate exploration expenditures of US$700,000 as follows:

6. EXPLORATION AND EVALUATION ASSETS (continued)

Taylor Silver Property (continued

	Number of Common Shares	Cash	Exploration Expenditures
		US$	US$
Upon closing of the agreement (issued and paid)	500,000	200,000	-
On or before 6 months from closing of the agreement (issued and paid)	300,000	100,000	-
On or before 12 months from closing of the agreement (issued, paid and incurred)	400,000	200,000	100,000
On or before 24 months from closing of the agreement	500,000	300,000	250,000
On or before 36 months from closing of the agreement	800,000	400,000	350,000
Total	2,500,000	1,200,000	700,000

The property is subject to a 2% net smelter return royalty and 1% net profit royalty to the Optionor.

As of September 30, 2018, the Company has paid $650,135 (US$500,000) and issued 1,200,000 common shares with a fair value of $341,500 to the Optionor.

Orogrande Gold Project

The Company signed a mineral property acquisition agreement with Altiplano Metals Inc. to acquire a series of mining claims located in Idaho county in the state of Idaho and commonly referred as the Orogrande Gold Project dated September 13, 2018. The claims are subject to 1.5% NSR on commercial production pursuant to a royal agreement with the previous owner dated November 24, 2016. The consideration is the sum of USD$150,000 which shall be satisfied by one-time cash payment of USD$50,000 and issuance of 520,000 common shares.

The Company paid the one-time cash payment of $64,875 (US$50,000) during the period ended September 30, 2018.

Redtop Sunrise Group

Pursuant to an option agreement dated July 25, 2012, with Rich River Exploration Ltd. and Craig Alvin Lynes, collectively, the “Optionors”, the Company was granted an option to acquire a 100% undivided interest in the Redtop Sunrise Group property (the “Property”) comprised of 11 mineral claims located near the Clearwater region of British Columbia. To earn the 100% interest, the Company agreed to issue 17,500 common shares of the Company to the optionors, make cash payments totaling $100,000, and incur a total of $1,000,000 in exploration expenditures.

During the year ended June 30, 2017, the Company decided not to continue exploration on the property and as a result it has provided for an impairment charge of $162,578.

7. EQUIPMENT

Cost		
Balance as at June 30, 2018	$	6,037
Additions		-
Balance as at September 30, 2018	$	6,037
Depreciation		
Balance as at June 30, 2018	$	(1,129)
Additions		(248)
Balance as at September 30, 2018	$	(1,377)
Net book value		
Balance as at June 30, 2018	$	4,908
Balance as at September 30, 2018	**$**	**4,660**

8. CONVERTIBLE DEBENTURES

On November 14, 2017, the Company closed its non-brokered private placement of secured convertible debentures. The convertible debentures are secured by a general security agreement over the assets of the Company and will be subordinated to all senior indebtedness of the Company. The Company received proceeds of $1,000,000, and the debentures mature 12 months from the date of issue, accrue interest at a rate of 8% per year and are convertible into units of the Company at $0.13 per unit. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price $0.25 expiring 12 months from the date of close of the private placement.

For accounting purposes, the convertible debentures are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 15% for convertible debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component.

8. CONVERTIBLE DEBENTURES (continued)

The following table summarizes the outstanding balance and changes in the components of the convertible debentures during the periods ended September 30, 2018 and June 30, 2018:

		September 30, 2018		**June30, 2018**
Principal				
Beginning balance	$	1,000,000	$	-
Advanced during the period		-		1,000,000
Equity component		(60,870)		(60,870)
Liability component initially recognized		939,130		939,130
Accumulated accretion expense		124,849		85,576
Ending balance, including accrued interest	$	1,063,979	$	1,024,706
Equity				
Beginning balance	$	60,870	$	-
Equity component recognized		-		60,870
Ending balance	$	60,870	$	60,870

9. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding as at September 30, 2018: 45,151,570 common shares

<u>During the year ended June 30, 2017</u>

(i) The Company issued 500,000 common shares with a fair value of $210,000 in relation to the option agreement for the Taylor Silver property (see Note 6).

(ii) The Company issued 2,000,000 common shares with a fair value of $510,000 in relation to the option agreement for the Black Dog project (see Note 6).

(iii) The Company completed a non-brokered private placement of 10,000,000 units at a price of $0.12 per unit for total proceeds of $1,200,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase a common share of the Company at $0.16 for two years.

(iv) The Company issued 668,000 common shares with a fair value of $701,400 for the acquisition of the Kiyuk property (see Note 6).

(v) The Company completed a private placement of 1,497,633 units at a price of $0.75 per unit for $1,123,225. Each unit is comprised of one common share and one-half purchase warrant. Each whole warrant entitles the holder to acquire a common share of the Company at $1.00. In connection with this private placement, the Company paid $46,206 and issued 61,608 finder's warrants with a fair value of $34,533 as finder's fees. Each finder's warrant entitles the holder to purchase a common share of the Company at $1.00 for two years.

9. SHARE CAPITAL (continued)

b) Issued and Outstanding as at September 30, 2018: 45,151,570 common shares (continued)

<u>During the year ended June 30, 2018</u>

(vi) The Company issued 300,000 common shares with a fair value of $55,500 for the acquisition of the Taylor Silver property (see Note 6).

(vii) On November 14, 2017, the Company closed a non-brokered private placement of 15,384,615 units at a price of $0.13 per unit for gross proceeds of $2,000,000. Each unit is comprised of one common share and one common share purchase warrant of the issuer. Each full common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.25 expiring 12 months from the date of close of the private placement. In connection with the private placement, the Company paid $530,842 and issued 713,785 finder's warrants with a fair value of $183,550 as finder's fees. Each finder's warrant entitles the holder to purchase one common shares of the Company, having the same terms as the share purchase warrants.

(viii) The Company closed a non-brokered private placement of secured convertible debentures. The private placement consisted of proceeds of $1,000,000, and the debentures are expected to mature 12 months from the date of issue, accrue interest at a rate of 8% per year and are convertible into units of the Company at the same price as the private placement at a per-unit conversion price equal to $0.13. Each unit comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price $0.25 expiring 12 months from the date of close of the private placement (see Note 8).

(ix) The Company issued 308,000 common shares from warrants exercised for gross proceeds of $49,280.

(x) The Company closed a non-brokered private placement of 12,907,772 units at a price of $0.25 per unit for gross proceeds of $3,226,943. Each unit is comprised of one common share and one purchase warrant. Each purchase warrant entitles the holder to acquire a common share of the Company at a price of $0.50 expiring 12 months from the date of close of the private placement. In connection with the private placement, the Company paid $184,058 and issued 359,716 finder's warrants with a fair value of $95,575 as finder's fees. Each finder's warrant entitles the holder to purchase one common shares of the Company, having the same terms as the share purchase warrants. As at September 30, 2018, there was a subscription receivable of $50,000.

(xi) The Company issued 400,000 common shares with a fair value of $76,000 pursuant to the option agreement for the Taylor Silver property (see Note 6).

c) Share Options

The Company has established a stock option plan for officers, directors, employees and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the issued and outstanding common shares.

9. SHARE CAPITAL (continued)

c) Share Options (continued)

During the year ended June 30, 2017, the Company had granted 250,000 options to directors and officers. Options vested on grant date, are exercisable at $1.40 per share for three years. The fair value of the stock options was $252,076 which was estimated using the Black-Scholes pricing model with the assumptions of share price of $1.40 per share, expected volatility 124%, risk-free rate 0.60%, dividend yield 0%, forfeited rate of 0% and expected life of 3 years.

There were no stock options outstanding as at September 30, 2018 and June 30, 2018.

d) Share Purchase Warrants

On August 24, 2016, the Company issued 61,608 finder's warrants in connection with the private placement of 1,497,633 units (see Note 9b(v)). The fair value of the finder's warrants was $34,533 which was estimated using the Black-Scholes pricing model with the assumptions of expected volatility of 118%, risk-free rate 0.55%, dividend yield 0% and expected life of two years.

On November 14, 2017, the Company issued 713,785 finder's warrants in connection with the private placement of 15,384,615 units (see Note 9b(vii)). The fair value of the finder's warrants was $183,550 which was estimated using the Black-Scholes pricing model with the assumptions of expected volatility of 234.68%, risk-free rate 1.36%, dividend yield 0% and expected life of one year.

On January 15, 2018, the Company issued 359,716 finder's warrants in connection with the private placement of 12,907,772 units (see Note 9b(x)). The aggregate fair value of the warrants was $95,575 which was estimated using the Black-Scholes pricing model with the assumptions of expected volatility of 273.26%, risk-free rate 1.72%, dividend yield 0% and expected life of one year.

The changes in share purchase warrants are as follows:

	Warrants	Weighted Average Exercise Price
		$
Balance, June 30, 2017	10,810,425	0.22
Issued	29,365,888	0.36
Exercised	(308,000)	(0.16)
Balance, June 30, 2018	39,868,313	0.33
Expired	(810,425)	1.00
Balance, September 30, 2018	39,057,888	0.31

During the three months ended September 30, 2018, 810,425 share purchase warrants issued on August 24, 2016, expired unexercised.

9. SHARE CAPITAL (continued)

d) Share Purchase Warrants (continued)

As at September 30, 2018, the outstanding warrants are as follows:

Warrants	Weighted Average Exercise Price	Weighted Average Years to Expiry	Expiry Date
	$		
9,692,000	0.16	0.43	March 6, 2019
16,098,400	0.25	0.12	November 14, 2018
13,267,488	0.50	0.29	January 15, 2019
39,057,888	0.31	0.26	

10. RELATED PARTY BALANCES AND TRANSACTIONS

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. Related parties 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.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	September 30, 2018	**June 30, 2018**
	$	$
Accounts payable and accrued liabilities	25,357	13,012

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2018	**2017**
	$	$
Exploration fees	15,602	-
Management fees	15,000	46,340
Total	30,602	46,340

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Management fees and property expenditures were paid to directors and companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include officers and the directors of the Company. The remuneration of key management is as follows:

	2018	2017
	$	$
Management fees	15,000	46,340
	15,000	46,340

Management services were provided by companies owned by the officers and directors of the Company.

As at September 30, 2018, $11,668 (June 30, 2018 - $15,557) is included in prepaid expenses to a director and a company controlled by a director of the Company for consulting fees.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

12. INVESTMENTS

	September 30, 2018		June 30, 2018	
	Cost	Fair value	Cost	Fair value
	$	$	$	$
3,000,000 (June 30, 2018 - 3,000,000) common shares of Cache Exploration Inc., received for the disposal of Kiyuk Lake Property (see Note 6)	210,000	114,286	210,000	135,000

The Company adopted all of the requirements of IFRS 9 Financial Instruments as of July 1, 2018. Under IFRS 9, all investments owned by the Company are redesignated as FVTOCI, with a fair value loss of $20,714 recorded in other comprehensive loss for the three months ended September 30, 2018. Had the Company had not adopted IFRS 9 and redesignated all investments as FVTOCI, the fair value loss would have been recorded in the statements of net loss under IAS 39. In the prior year period and prior to the adoption of IFRS 9, the Company recorded a fair value loss of $75,000 in the statement of net loss and comprehensive loss for the year ended June 30, 2018.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes 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 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash and accounts payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at September 30, 2018 are as follows:

	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)	Total
	$	$	$	$
Investments	114,286	-	-	114,286
Cash	1,428,327	-	-	1,428,327

Fair value

The fair value of the Company's financial instruments approximates their carrying value as September 30, 2018 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is limited to one mineral property which is located in Nevada.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial risk management objectives and policies (continued)

(i) Currency risk (continued)

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high-quality financial institution.

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

14. COMMITMENT

As at September 30, 2018, the Company engaged a consultant for total estimated cost of US$85,476. The Company paid US$42,500 to the consultant during the year ended June 30, 2018 as a retainer.

15. SUBSEQUENT EVENT

No subsequent event.