
MONTEGO RESOURCES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED
MARCH 31, 2020 AND 2019

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the 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 interim financial statements by an entity's auditor.

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION****EXPRESSED IN CANADIAN DOLLARS**

	Note	March 31, 2020 (unaudited) \$	June 30, 2019 (audited) \$
ASSETS			
CURRENT			
Cash		158,768	186,350
Restricted cash	9	1,115,991	1,115,991
Tax recoverable		22,604	204,396
Prepaid expenses	5	16,032	17,274
Investment	13	30,000	150,000
		<hr/>	<hr/>
		1,343,395	1,674,011
NON-CURRENT			
Equipment	7	3,425	3,997
Exploration and evaluation assets	6	1	1
		<hr/>	<hr/>
		3,426	3,998
		<hr/>	<hr/>
		1,346,821	1,678,009
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	11	394,590	723,442
Loans payable	8	375,386	-
Convertible debentures	9	1,190,247	1,129,973
		<hr/>	<hr/>
		1,960,223	1,853,415
SHAREHOLDERS' DEFICIENCY			
Share capital	10	8,738,995	8,730,328
Subscription receivable	10	(50,000)	(50,000)
Contributed surplus	10	907,885	907,885
Equity component of convertible debentures	9	60,870	60,870
Deficit		(10,271,152)	(9,824,489)
		<hr/>	<hr/>
		(613,402)	(175,406)
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		1,346,821	1,678,009

NATURE OF OPERATIONS (Note 1)

CONTINGENCY (Note 11)

Approved and authorized for issue on behalf of the Board on May 29, 2020.

/s/ David Greenway Director
David Greenway

/s/ Dave Jenkins Director
Dave Jenkins

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 March 31, 2020	Three months ended March 31, 2019	Nine months ended March 31, 2020	Nine months ended March 31, 2019
MINERAL PROPERTY EXPENSES	6	\$ -	\$ -	\$ 47,838	\$ -
ADMINISTRATION EXPENSES					
Automobile		-	-	-	2,255
Consulting fees	11	6,750	20,100	8,000	333,131
Depreciation	7	179	218	572	701
Interest expense	8, 9	26,476	41,411	71,420	121,482
Insurance		1,459	135	7,625	3,305
Management fees	11	16,000	15,000	48,206	45,000
Office and miscellaneous		549	5,854	21,024	23,682
Professional fees		4,082	50,465	87,311	57,617
Rent		-	-	15,000	-
Transfer agent and filing fees		4,872	6,426	18,061	12,831
Travel and promotion		-	92	1,226	345,623
		60,367	139,701	278,445	945,627
LOSS BEFORE OTHER ITEMS		\$ (60,367)	\$ (139,701)	\$ (326,283)	\$ (945,627)
OTHER ITEMS					
Loss on sale of property	6	-	-	-	(5,305)
Foreign exchange loss		(424)	(127)	(380)	(3,727)
Unrealized gain (loss) on investment	13	15,000	30,000	(120,000)	-
NET LOSS AND COMPREHENSIVE LOSS		\$ (45,791)	\$ (109,828)	\$ (446,663)	\$ (954,659)
LOSS PER SHARE - basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		45,324,903	45,151,570	45,259,982	45,151,570

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

MONTEGO RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

	<u>Common Shares</u>		Contributed Surplus	Subscription Receivable	Equity Component of Convertible Debentures	Deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance, June 30, 2018	45,151,570	8,730,328	907,885	(50,000)	60,870	(6,312,573)	3,336,510
Net loss for the period	-	-	-	-	-	(954,659)	(954,659)
Balance, March 31, 2019	45,151,570	8,730,328	907,885	(50,000)	60,870	(7,267,232)	2,381,851
Balance, June 30, 2019	45,151,570	8,730,328	907,885	(50,000)	60,870	(9,824,489)	(175,406)
Shares issued for exploration and evaluation assets (Note 6)	173,333	8,667	-	-	-	-	8,667
Net loss for the period	-	-	-	-	-	(446,663)	(446,663)
Balance, March 31, 2020	45,324,903	8,738,995	907,885	(50,000)	60,870	(10,271,152)	(613,402)

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 March 31, 2020	Three months ended March 31, 2019	Nine months ended March 31, 2020	Nine months ended March 31, 2019
	\$	\$	\$	\$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	(45,791)	(109,828)	(446,663)	(954,659)
Items not involving cash:				
Depreciation	179	218	572	701
Interest on convertible debt	19,946	41,411	60,274	121,464
Interest on loans payable	10,770	-	15,386	-
Loss on sale of property	-	-	-	5,305
Foreign exchange loss	424	127	380	3,727
Shares issued for mineral property acquisition	-	-	8,667	-
Unrealized (gain) loss on investments	(15,000)	(30,000)	120,000	-
	(29,472)	(98,072)	(241,384)	(823,462)
Changes in non-cash working capital balances:				
Tax recoverable	188,797	(1,815)	181,792	(14,678)
Prepaid expenses	(3,443)	(10,775)	1,242	213,336
Accounts payable and accrued liabilities	(60,330)	116,103	(329,232)	175,422
Cash provided by (used in) operating activities	95,552	5,441	(387,582)	(449,382)
INVESTING ACTIVITY				
Acquisition of exploration and evaluation assets	-	(36,350)	-	(190,599)
Cash used in investing activity	-	(36,350)	-	(190,599)
FINANCING ACTIVITY				
Proceeds from loans payable	-	-	360,000	300
Cash provided by financing activity	-	-	360,000	300
INCREASE (DECREASE) IN CASH	95,552	(30,909)	(27,582)	(639,681)
CASH, BEGINNING OF PERIOD	63,216	1,333,305	186,350	1,942,077
CASH, END OF PERIOD	158,768	1,302,396	158,768	1,302,396

The Company did not pay any interest or income taxes in cash during the nine months ended March 31, 2020 and 2019.

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 400-837 West Hastings, Vancouver, British Columbia, V6C 3N6, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at March 31, 2020, 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 loss of \$446,663 for the period ended March 31, 2020 and, as of that date, the Company had an accumulated deficit of \$10,271,152 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.

During the period ended March 31, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipate this outbreak might increase the difficulty in capital raising which may negatively impact the Corporation’s business and financial condition.

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 condensed interim financial statements follow the same accounting policies and methods of computations as compared with the most recent annual financial statements, being for the year ended June 30, 2019, 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 May 29, 2020.

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.

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 shares, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Flow-through shares (continued)

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 rates prevailing on the statement of financial position date are recognized in the statement of net loss and 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

(i) Classification (continued)

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Investment	FVTPL
Restricted cash	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost

(ii) Measurement

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 loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of net loss in the period in which they arise.

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 loss. The Company has not designated any financial assets at FVTOCI.

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.

(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's credit risk 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

(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 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 loss.

l) 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.

m) 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 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.

n) Changes in accounting policies

Leases

The Company adopted all of the requirements of IFRS 16 *Leases* ("IFRS 16") as of July 1, 2019. This standard sets out a new model for lease accounting. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated, and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Changes in accounting policies

Leases (continued)

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there have been no changes to the opening deficit balance as at July 1, 2019.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's financial statements.

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 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:

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

MONTEGO RESOURCES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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UNAUDITED

4. FUTURE ACCOUNTING PRONOUNCEMENTS

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

5. PREPAID EXPENSES

The Company had the following prepaid expenses:

	March 31, 2020	June 30, 2019
	\$	\$
Consulting fees	3,000	3,000
Insurance	-	7,625
Investor communications	1,482	-
Exploration fees	6,649	6,649
Travel expense	4,901	
	16,032	17,274

6. EXPLORATION AND EVALUATION ASSETS

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, June 30, 2018	1,943,116	157,712	2,100,828
Acquisition costs - cash paid	64,875	-	64,875
Property acquisition and expenditures	-	111,468	111,468
Impairment of exploration and evaluation assets	(2,007,990)	(269,180)	(2,277,170)
Balance, June 30, 2019 and March 31, 2020	1	-	1

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 (the "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.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

Kiyuk Lake Property (continued)

During the year ended June 30, 2019, the Company paid \$5,305 exploration cost related to Kiyuk which was recorded as loss on sale of property in the statement of net loss and comprehensive loss.

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 expenditure 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 1 st anniversary date of the agreement (paid and incurred)	-	100,000	100,000
On or before the 2 nd anniversary date of the agreement (paid)	-	200,000	200,000
On or before the 3 rd anniversary date of the agreement	-	500,000	500,000
On or before the 4 th 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 June 30, 2019, the Company has paid \$441,481 and issued 2,000,000 common shares with a fair value of \$510,000 to the Optionor.

During the year ended June 30, 2019, the Company recognized an impairment loss of \$951,481.

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 expenditure of US\$700,000 as follows:

6. EXPLORATION AND EVALUATION ASSETS (continued)

Taylor Silver Property (continued)

	Number of Common Shares	Cash US\$	Exploration Expenditures 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 June 30, 2019, 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. The Company also incurred \$122,961 exploration expenditures during the year ended June 30, 2019.

During the year ended June 30, 2019, the Company recorded an impairment loss of \$1,260,814.

During the period ended March 31, 2020, the Company incurred \$39,171 mineral property expenses.

During the period ended March 31, 2020, the Company received a notice from Silver that it has terminated its option agreement with the Company.

Orogrande Gold Project

The Company signed a mineral property acquisition agreement with Altiplano Metals Inc. ("Altiplano") 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 US\$150,000 which shall be satisfied by one-time cash payment of US\$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 year ended June 30, 2019 and issued 173,333 common shares with a fair value of \$8,667 during the period ended March 31, 2020 (Note 10).

During the year ended June 30, 2019, the Company recognized an impairment loss of \$64,875.

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7. EQUIPMENT

Cost		
Balance as at June 30, 2018 and 2019	\$	6,037
Additions		-
Balance as at March 31, 2020	\$	6,037
Depreciation		
Balance as at June 30, 2018	\$	(1,129)
Additions		(911)
Balance as at June 30, 2019	\$	(2,040)
Additions		(572)
Balance as at March 31, 2020	\$	(2,612)
Net book value		
Balance as at June 30, 2019	\$	3,997
Balance as at March 31, 2020	\$	3,425

8. LOANS PAYABLE

On November 21, 2019, the Company has entered in two separate loan agreements with arm's-length third parties for \$180,000 each, resulting in an aggregate amount of \$360,000. Both loans bear interest at 12% per annum. The principal amount and any accrued interest are due on the demand of the lenders. The loans are unsecured. During the period ended March 31, 2020, the Company recorded interest expense of \$15,386 (2019 - \$Nil) on these loans. As of March 31, 2020, the balance outstanding including accrued interest was \$375,386.

9. 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 twelve 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 twelve months from the date of close of the private placement.

The debt has been secured by the assets of the Company and will be settled by releasing the garnishing funds.

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.

The following table summarizes the outstanding balance and changes in the components of the convertible debentures during the periods ended March 31, 2020 and June 30, 2019:

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9. CONVERTIBLE DEBENTURES (continued)

	March 31, 2020	June 30, 2019
Principal		
Beginning balance	\$ 1,000,000	\$ 1,000,000
Equity component	(60,870)	(60,870)
Liability component initially recognized	939,130	939,130
Accumulated accretion expense	251,117	190,843
Ending balance	\$ 1,190,247	\$ 1,129,973

On May 13, 2019, the Company was sued for default of the convertible debentures of \$1,000,000 plus 8% interest. As a result, total cash of \$1,115,991 was garnished by the Supreme Court and is designated as restricted cash as at March 31, 2020. The total principal plus interest totaled \$1,190,247 as at March 31, 2020.

On October 17, 2019, requisition was filed for application for payment out of Court in the amount of \$1,115,991 paid into court by the Bank of Montreal on May 18, 2019, pursuant to the Garnishing Order issued on May 10, 2019.

10. SHARE CAPITAL

a) Authorized:

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

On October 11, 2019, the Company issued 173,333 common shares with a fair value of \$8,667 pursuant to the option agreement for the Orogrande Gold Project (Note 6).

There were no shares issued during the year ended June 30, 2019.

b) Share options

There were no stock options outstanding as at March 31, 2020 and June 30, 2019.

c) Share purchase warrants

The changes in share purchase warrants are as follows:

	Warrants	Weighted Average Exercise Price
		\$
Balance, June 30, 2018	39,868,313	0.33
Expired	(39,868,313)	0.33
Balance, June 30, 2019 and March 31, 2020	-	-

During the year ended June 30, 2019, 39,863,313 share purchase warrants expired unexercised.

There were no share purchase warrants outstanding as at March 31, 2020 and June 30, 2019.

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11. 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:

	March 31, 2020	June 30, 2019
	\$	\$
Accounts payable and accrued liabilities	50,997	416,671

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

The Company had the following related party transactions:

Nine months ended March 31,	2020	2019
	\$	\$
Exploration fees	-	19,545
Management fees	48,206	45,000
Consulting fees	8,000	21,000
	56,206	85,545

Management fees, property expenditures, and consulting fees were paid to current and former directors and officers and companies controlled by current and former directors of the Company.

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

Nine months ended March 31,	2020	2019
	\$	\$
Management fees	48,206	45,000
Consulting fees	8,000	21,000
	56,206	66,000

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

On March 20, 2019, a former officer of the Company brought a claim on behalf of the Company against another officer of the Company in the Supreme Court of British Columbia. On September 3, 2019, the Company and the officer agreed to settlement of \$1 and reimbursement of legal expenses incurred by the officer for a total of \$248,271.

11. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

On June 11, 2019, the Company was served with a notice of civil claim in the Supreme Court of British Columbia by a former officer of the Company. In the claim, the former officer alleged that the Company was responsible for the \$250,000 he advanced to a law firm retained on behalf of the Company for the claim above, any additional amounts advanced for legal work undertaken, as well as his compensation at a rate of \$10,000 per month for every month for which he was an officer of the Company. The Company believes the claim is meritless and will vigorously defend it. At this time, however, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation.

On January 22, 2020, the Company has proceeded with legal action against former directors Adam Cegielski and Jim Grieg for breaches of fiduciary duty, and failure to exercise reasonable care, skill and diligence that jeopardized the Company's interest in the Black Dog Gold Project in Northern Quebec and its interest in the Taylor Silver Project in Nevada, which has affected shareholder value of the Company. The Company is currently in advanced settlement discussions with Mr. Cegielski.

On January 29, 2020, the court has granted default judgement on former director Jim Grieg. The Company will be seeking damage against Mr. Grieg for the losses suffered as a result of Mr. Grieg's conduct.

12. 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.

13. INVESTMENT

	March 31, 2020		June 30, 2019	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
3,000,000 (June 30, 2019 - 3,000,000) common shares of Cache Exploration Inc., received for the disposal of Kiyuk Lake Property (see Note 6)	210,000	30,000	210,000	150,000

During the period ended March 31, 2020, the market value of the investment decreased and an unrealized loss of \$120,000 (2019 - \$Nil) was recognized in profit and loss.

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14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

a) Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	March 31, 2020	June 30, 2019
		\$	\$
Cash	FVTPL	158,768	186,350
Investment	FVTPL	30,000	150,000
Restricted cash	FVTPL	1,115,991	1,115,991
Accounts payable	Amortized cost	394,590	723,442
Loans payable	Amortized cost	375,386	-
Convertible debentures	Amortized cost	1,190,247	1,129,973

b) Fair value of financial instruments

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).

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at March 31, 2020 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	158,768	-	-	158,768
Investment	30,000	-	-	30,000
Restricted cash	1,115,991	-	-	1,115,991

The fair value of the Company's accounts payable, loans payable and convertible debentures approximates their carrying value as of March 31, 2020 because of the demand nature or short-term maturity of these instruments.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

c) Financial risk management objectives and policies

The Company's financial instruments include cash, restricted cash, investments, accounts payable, loans payable and convertible debentures. 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.

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.