MONTEREY
MINERALS INC

CSE: MREY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars)

For the Three and Six Months Ended
June 30, 2019 and 2018

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Continuous Disclosure Obligations, 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 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entry's auditor.

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements ("consolidated financial statements") of Monterey Minerals Inc. are the responsibility of the management and Board of Directors of the Company. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the financial statement notes. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are compliant with *IAS 34 - Interim Financial Reporting* as issued by the International Accounting Standards Board.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

James Macintosh
President and CEO

Julio DiGirolamo
CFO and Corporate Secretary

August 29, 2019

MONTEREY
MINERALS INC

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FINANCIAL STATEMENTS

Monterey Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

		June 30, 2019		December 31, 2018
Assets				
Current				
Cash and cash equivalents	**$**	**100,393**	$	328,685
Loans receivable *(Note 9)*		**6,000**		21,000
Prepaid expenses and deposits		**6,889**		25,212
Government remittances recoverable		**26,606**		2,341
Total Assets	**$**	**139,888**	$	377,238
Liabilities				
Current				
Accounts payable and accrued expenses *(Note 10, 14)*	**$**	**21,010**	$	23,156
Total Current Liabilities		**21,010**		23,156
Loans payable *(Note 12)*		**160,429**		-
Total Liabilities		**181,439**		23,156
Shareholders' Equity				
Share Capital *(Note 6)*		**3,121,107**		1,001,107
Reserves *(Note 6)*		**122,025**		58,500
Deficit		**(3,284,683)**		(705,525)
Total Shareholder's Equity		**(41,551)**		354,082
Total Liabilities and Shareholders' Equity	**$**	**139,888**	$	377,238

Nature of Operations and Going Concern *(Note 1)*
Lease Commitments *(Note 16)*
Subsequent Events *(Note 17)*

Approved and authorized by the Board of Directors on August 29, 2019.

/s/James Macintosh

President and CEO

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

Monterey Minerals Inc.

Condensed Interim Consolidated Statement of Loss

Three and Six Months Ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	Three-month Period Ended June 30, 2019	Three-month Period Ended June 30, 2018	Six-month Period Ended June 30, 2019	Six-month Period Ended June 30, 2018
	$	**$**	**$**	**$**
Expenses				
Consulting *(Note 14)*	**30,000**	-	**63,500**	-
General and administration *(Note 14)*	**14,361**	3,715	**48,015**	2,719
Listing Fee *(Note 5)*	**-**	188,727	**-**	188,727
Mineral acquisition & exploration *(Note 11,14)*	**1,249,798**	-	**2,335,057**	20,000
Share-based payments *(Note 6)*	**-**	-	**63,525**	-
Transfer agent & filing fees	**18,726**	1,500	**59,539**	1,726
Travel	**-**	-	**9,522**	-
Net loss and comprehensive loss for the period	**(1,312,885)**	(193,942)	**(2,579,158)**	(213,172)
Basic and diluted loss per common share	**(0.04)**	(0.01)	**(0.10)**	(0.01)
Weighted average number of common shares outstanding	**32,632,508**	14,503,394	**26,147,576**	14,503,394

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

Monterey Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in Canadian dollars)

	Share Capital Number of Shares	Share Capital Amount	Reserves	Deficit	Total Shareholders' Equity
	(#)	($)	($)	($)	($)
Balance, December 31, 2017	**14,438,578**	**587,094**	-	**(236,229)**	**350,865**
Common shares issued on reverse takeover *(Note 5)*	5,914,478	414,013	-	-	414,013
Net Loss for the period	-	-	-	(213,172)	(213,172)
Balance, June 30, 2018	**20,353,056**	**1,001,107**	**-**	**(449,401)**	**551,706**
Balance, December 31, 2018	**20,353,056**	**1,001,107**	**58,500**	**(705,525)**	**354,082**
Issuance of Common Shares *(Note 6)*	27,800,000	2,120,000	-	-	2,120,000
Share-based payments *(Note 6)*	-	-	63,525	-	63,525
Net loss for the period	-	-	-	(2,579,158)	(2,579,158)
Balance, June 30, 2019	**48,153,056**	**3,121,107**	**122,025**	**(3,284,683)**	**(41,551)**

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

Monterey Minerals Inc.
Condensed Interim Consolidated Statement of Cash Flows
Six Months Ended June 30, 2019 and 2018
(Unaudited - Expressed in Canadian dollars)

	Period Ended June 30, 2019	Period Ended June 30, 2018
Cash (Used In) Provided By		
Operating Activities		
Net loss	**$ (2,579,159)**	$ (213,172)
Non-cash items:		
Listing Fee *(Note 5)*	**-**	188,727
Share-based payments *(Note 6)*	**63,525**	-
Shares issued for mineral acquisitions *(Note 11)*	**2,120,000**	-
	(395,634)	(24,445)
Changes in non-cash working capital:		
Prepaid expenses and deposits	**18,323**	-
Government remittances recoverable	**(24,265)**	-
Accounts payable and accrued expenses *(Note 10)*	**(2,146)**	(45,076)
Net cash used in operating activities	**(403,721)**	(69,521)
Investing Activities:		
Loans receivable *(Note 9)*	**15,000**	28,943
Net cash received in investing activities	**15,000**	28,943
Financing Activities:		
Cash acquired on RTO *(Note 5)*	**-**	273,356
Loans payable *(Note 12)*	**160,429**	12,000
Net cash provided by financing activities	**160,429**	285,356
Increase (Decrease) in cash	**$ (228,292)**	$ 244,778
Cash and cash equivalents, beginning of the period	**328,685**	335,648
Cash and cash equivalents, end of the period	**$ 100,393**	$ 580,426

No cash was paid for interest or income taxes during the period.

1. Operations and Going Concern

Monterey Minerals Inc. (the "Company") was incorporated on May 9, 2014 under the laws of British Columbia, Canada. Its head office is located at 890-1140 West Pender Street, Vancouver, BC, V6E 4G1, Canada. Landsdown Holdings Ltd. ("Landsdown") is engaged in the business of mineral property exploration and was incorporated pursuant under the laws of British Columbia, Canada on August 9, 2015. Landsdown's registered office is Suite 2702, 401 Bay Street Toronto, Ontario, M5H 2Y4. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol MREY.

On June 26, 2018, Monterey Minerals Inc. ("Former Monterey") and Landsdown completed a share exchange public listing transaction pursuant to a Share Exchange Agreement (the "SEA"). This resulted in the former Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business.

Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on a 1:1 share exchange ratio. Based on the distribution of shareholdings on completion of the SEA, Landsdown is deemed to be the continuing entity for financial reporting purposes and therefore its historical financial statements are included as the comparative figures as at year ended December 31, 2017. The transaction constituted a reverse acquisition as more fully described in Note 5.

Prior to the SEA, on October 19, 2016, Former Monterey incorporated four wholly owned subsidiaries: 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Subcos") setup for proposed arrangement transactions. Former Monterey set the share distribution record date of a plan of an arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company. Blue Aqua Holdings Ltd. was spun out effective June 12, 2018 with the remaining Subcos spun out on August 28, 2018.

2. Going Concern

These condensed interim consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realized its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these condensed interim consolidated financial statements. Such adjustments could be material.

At June 30, 2019, the Company had not yet achieved profitable operations and had accumulated losses of $3,284,683 (December 31, 2018 - $705,525). The Company expects to incur further losses in the development of its business, all of which raise material uncertainties which casts significant doubt about the Company's ability to continue as a going concern.

A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due; all of which are uncertain.

3. Basis of Presentation

Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim statements including IAS 34, Interim Financial Reporting.

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company's annual consolidated Financial Statements for the year ended December 31, 2018. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018 which have been prepared according to IFRS as issued by IASB. The Audit Committee of the Board of Directors authorized for publication the condensed interim financial statements on August 29, 2019.

4. Significant Accounting Policies

a) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Functional and Presentation Currency

The condensed interim consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

c) Significant Accounting and Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these condensed interim consolidated 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.

Critical accounting estimates:

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, relate to, but are not limited to, the following:

- Income taxes - measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed interim consolidated financial statements; and
- Capital reserves – the inputs used in accounting for share-based payment transactions, including stock options and warrants.

4. Significant Accounting Policies (Continued)

Critical accounting judgments:

- Assessment of former Monterey as a business in scope of IFRS 3 - as more fully described in Note 5, the Company was party to a Share Exchange Agreement during the year. This required management to make a determination as to whether it met the definition of a business pursuant to IFRS 3 – Business Combinations;
- Recognition of deferred income tax assets - In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified;
- Going concern - management must make an assessment as to the going concern basis of accounting and uncertainties associated with the Company's ability to raise additional capital and/or obtain financing to advance the exploration properties; and
- Site decommissioning obligations - the Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates are made by management and external consultants considering current costs, technology and enacted legislation.

d) Basis of consolidation

The consolidation financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the years presented are included in these condensed interim consolidated statements of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

e) Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its condensed interim consolidated financial statements beginning January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans receivables and available for sale.

f) Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

4. Significant Accounting Policies (Continued)

g) Mineral properties

The Company charges to operations all mineral property acquisition costs and exploration and evaluation expenses incurred prior to the determination of economically recoverable reserve. These costs would also include periodic fees such as license and maintenance fees. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

h) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

i) Share-based compensation transactions

Shared-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment. Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in "equity settled share-based payments reserve".

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

4. Significant Accounting Policies (Continued)

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

j) Income taxes

Income tax on these condensed interim consolidated statements of loss for the years presented comprises current and deferred tax. Income tax is recognized in these condensed interim consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

k) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at June 30, 2019 and December 31, 2018.

l) New Accounting standards adopted

Effective January 1, 2019, the Company adopted IFRS 16 for Leases replacing IAS 17 "*Leases".*

(Unaudited - Expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

IFRS 16 "*Leases"* 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 adoption of IFRS 16 did not have a material impact on the Company's condensed interim consolidated financial statements.

5. Reverse Acquisition Transaction

Former Monterey	Number of common shares	Amount
Balance, June 26, 2018	5,914,478	$ 547,213

Landsdown	Number of common shares	Amount
Balance, June 26, 2018	14,438,578	$ 587,094

On June 26, 2018, Former Monterey entered into a Share Exchange Agreement ("SEA") with Landsdown Holdings Ltd. ("Landsdown") under which a reverse acquisition transaction was completed. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of Landsdown based on one share of the Company for each common share of Landsdown outstanding. Upon closing, former Landsdown shareholders held approximately 71% of the outstanding shares of the Company. In substance, the Transaction involves former Landsdown shareholders obtaining control of the Company; accordingly, the Transaction is considered to be a reverse acquisition transaction under which Landsdown is identified as the accounting acquirer.

As Former Monterey did not meet the definition of a business under IFRS 3 Business Combinations ("IFRS 3") prior to the Transaction, the future consolidated financial statements of the combined entity will represent the continuation of Landsdown. The transaction is therefore accounted for in accordance with IFRS 2 Share-based Payment ("IFRS 2") whereby Landsdown is deemed to have issued shares in exchange for the net assets of Former Monterey together with its Reporting Issuer status at the fair value of the consideration received by Landsdown.

The accounting for this transaction in the following:

(i) The consolidated financial statements of the combined entity are issued under the legal parent, Monterey Minerals Inc., but are considered a continuation of the financial statements of the legal subsidiary and accounting acquirer, Landsdown Holdings Ltd.

(ii) Since Landsdown is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) The identifiable assets and liabilities of Former Monterey are recognized at fair value at the acquisition date, with the excess of the fair value of the equity interest consideration paid over the fair value of the net assets acquired being charged to the consolidated statements of loss and comprehensive loss as a listing expense.

(Unaudited - Expressed in Canadian dollars)

5. Reversed Acquisition Transaction (Continued)

(iv) The fair value of the equity interest consideration paid is determined based on the percentage ownership Former Monterey (the legal parent's) shareholders have in the consolidated entity after the transaction. This represents the fair value of the shares that Landsdown would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Landsdown acquiring 100% of the common shares in Former Monterey. The fair value of the consideration paid in the reverse-acquisition is therefore equivalent to the fair value of the 5,914,478 Monterey shares deemed to have been issued by Landsdown and controlled by Former Monterey shareholders, estimated to be $414,013 based on the fair market value of $0.07 per share, being the price of a recent financing of Former Monterey.

The listing fee expense is summarized as follows:

Net working capital acquired:

Accounts payable	$	66,299
Preferred share liability		3,000
Cash		(273,356)
Loans receivable		(1,500)
Prepaid expenses		(19,729)
	$	(225,286)
Common shares issued (5,914,478 shares at $0.07 per share)	$	414,013
Listing fee expense	**$**	**188,727**

6. Share Capital and Reserves

Authorized – Unlimited Common shares without par value;

Issued and Outstanding as at June 30, 2019: 48,153,056 (December 31, 2018 - 20,353,056)

During the six month period ended June 30, 2019, the Company issued 27,800,000 common shares, 9,800,000 in connection with the Option agreement and purchase of Ridge Street Investment Pty Ltd., 7,000,000 common shares in connection with the purchase agreement with CTTR Mining Tenements Pty Ltd. and 11,000,000 common shares in connection with the purchase agreement with Golden River Resources Pty Ltd. (Note 11).

On February 28, 2019, the Company granted 875,000 share purchase options which have an exercise price of $0.12 per option and expire on February 28, 2024. Share-based payments of $63,525 have been recorded in connection with the issuance of these options. The 875,000 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 2.18%; expected life - 5 years; expected volatility - 100.00%; forfeiture rate - Nil and expected dividends - Nil.

The Company granted 1,300,000 options on August 15, 2018 which have an exercise price of $0.15 per option and expire on August 15, 2023. Share-based payments of $58,500 have been recorded in connection with the issuance of these options. The 1,300,000 options were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 2.18%; expected life – 5 years; expected volatility – 100.00%; forfeiture rate – Nil and expected dividends – Nil

As at June 30, 2019, the Company has outstanding share purchase options enabling holders to acquire common shares of the Company as follows:

(Unaudited - Expressed in Canadian dollars)

6. Share Capital and Reserves (Continued)

Grant Date	Number	Exercise Price per share	Expiry Date
August 15, 2018	1,300,000	$0.15	August 15, 2023
February 28, 2019	875,000	$0.12	February 28,2024
	2,175,000	-	

7. Capital Disclosures

The Company defines its capital as as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

8. Financial Instruments and Risk Exposures and Management

The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash, loan receivable, accounts payable and loan payable approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 100,393	-	-	$ 100,393
	$ 100,393	-	-	$ 100,393

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk). Risk management is carried out by the Company's management team, with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance on overall risk management.

8. Financial Instruments and Risk Exposures and Management (Continued)

Credit risk

Credit risk is the risk of loss associates with a counterparty's inability to fulfil its payment obligations. The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company is further exposed to credit risk through its loan's receivable. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at June 30, 2019, the Company had working capital of $118,878 (December 31, 2018 - $354,082).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate risk, foreign exchange rate risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and substantially are expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals.

The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

9. Loans Receivable

As at June 30, 2019, the Company has a loan receivable with principal balance outstanding of $6,000. The loan receivable is unsecured, non-interest bearing and is due on demand.

10. Accounts payable and accrued expenses

Accounts payable and accrued expenses are principally comprised of amounts outstanding relating to general operating activities.

(Unaudited - Expressed in Canadian dollars)

10. Accounts payable and accrued expenses (Continued)

	June 30, 2019	December 31, 2018
	($)	**($)**
Accounts payable	**21,010**	**14,156**
Accrued expenses	**-**	**9,000**
Total accounts payable and accrued expenses	**21,010**	**23,156**

The Company's trade and other payables are subject to standard trade terms of 30 – 60 days.

11. Mineral Property Interests

On February 17, 2019, the Company acquired a 100% interest in the Cobalt Mountain property located in Canada. As per the option agreement, the Company made cash payments of $60,000 and issued 1,800,000 common shares to the vendors.

On February 28, 2019, the Company purchased 100% of Ridge Street Investments Pty Ltd. which owns two prospective tenements on the eastern flank of the Pilbara Basin. As per the agreement, the Company issued 8,000,000 common shares to the vendors.

On April 1, 2019, the Company purchased 100% of CTTR Mining Tenements Pty Ltd which owns seven tenements encompassing 525 square kilometers in the Pilbara region of Western Australia. As per Agreement, the Company issued 7,000,000 common shares to the vendors.

On June 5, 2019, the Company purchased 100% of Golden River Resources Pty Ltd which owns six tenements encompassing 323 square kilometers in the Pilbara region of Western Australia. As per Agreement, the Company issued 11,000,000 common shares to the vendors.

During the period ended June 30, 2019, the Company incurred mineral property acquisition costs and geological/exploration expenses of $2,335,057 (June 30, 2018 – $20,000) in relation to these agreements.

12. Loans Payable

As at June 30, 2019, the Company had a total loans payable of $160,439 ($174,816 AUD) (December 31, 2018 - $nil) with $27,531 ($30,000 AUD) due to Venex Capital. These amounts owed are unsecured, non-interest bearing and due long-term.

13. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

14. Related Party Transactions

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with directors and/or officers of the Company and/or companies controlled by them for the period ended June 30, 2019 and 2018:

(Unaudited - Expressed in Canadian dollars)

14. Related Party Transactions (Continued)

	June 30, 2019	June 30, 2018
	($)	($)
Consulting – Directors (CEO & CFO)	**45,000**	**-**
General and administration - Cronin Services (controlled by a director)	**18,647**	**-**
Mineral acquisition & exploration - Cronin Capital (controlled by a director)	**147,904**	**-**
	211,551	-

As at June 30, 2019, included in accounts payable and accrued liabilities is $9,494 (December 31, 2018 - $9,494) due to Cronin Capital and $4,725 (December 31, 2018 - $2,362) due to Cronin Services.

15. Arrangement Agreement

On September 30, 2016, Former Monterey signed letters of intent (“LOIs”) with each of Landsdown Holdings Ltd., GCK Forestry Ltd., 2265040 Ontario Inc. (o/a EVI Tech Group) and Railhead Resources Ltd. (the “Purchasers”) to form four (4) wholly owned subsidiaries (“Subcos”) to effect transactions in which Subcos would purchase all of the issued and outstanding capital stock from each of the respective Purchasers’ shareholders (the “2016 PoA”).

On November 29, 2016, Former Monterey received court approval for its Arrangement Agreement (the “Arrangement”) with each of its four wholly-owned subsidiaries 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) (the “Subcos”), pursuant to which, amongst other things, will result in transfer the Letters of Intent and $1,000 (the “Assets”) to each of 1093681, 1093682, 1093683, and 1093684 in consideration for shares of each Subcos.

Former Monterey set the share distribution record date of the Arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company.

On June 12, 2018, the spin out of Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) (“Blue Aqua”) from the Company was completed. On August 1, 2018 the spin out of 1093681 B.C. Ltd., 1093682 B.C. Ltd. and 1093683 B.C. Ltd. from the Company was completed.

16. Lease Commitments

Monterey leases its Canadian premises under a non-cancellable operating lease that expires in May 2022. Its current year lease expense is $9,769 which includes related operating costs charged. Future minimum lease payments, by year, and the aggregate, are as follows:

Year	Amount
	($)
2019	**4,885**
2020	**9,854**
2021	**9,854**
2022	**4,106**
	28,699

17. Subsequent Events

On July 23, 2019, the Company announced a non-brokered private placement of up to $300,000 of common share units and up to $100,000 in flow-through units both priced at $0.05 per unit. Each common share unit ("Unit") and flow-through unit (FT Unit") will consist of one common share and one quarter (1/4) of a common share purchase warrant ("Warrant"). Each full Warrant will entitle the holder to purchase one additional common share at a price of $0.10 for 18 months after closing.

On August 21, 2019, the Company repaid $27,051 (AUD $30,000) of the long-term loan payable (see Note 12).

On August 22, 2019, the Company announced it had upsized the common share portion of the private placement from $300,000 to $500,000. The Company also announced the closing of a first tranche of the financing for gross proceeds of $407,380 worth of Units and the full $100,000 of FT Units.