

**Zenith Exploration Inc.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**  
**For the Six Months Ended January 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

These unaudited condensed consolidated interim financial statements of Zenith Exploration Inc. for the six months ended January 31, 2019, have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

**Zenith Exploration Inc.**

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Notes	January 31, 2019	July 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 187,030	\$ 448,984
Receivables		22,117	3,077
Prepaid expenses and advances		30,132	-
		239,279	452,061
Exploration and evaluation assets	3	492,497	333,571
<b>TOTAL ASSETS</b>		<b>\$ 731,776</b>	<b>\$ 785,632</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 3,717	\$ 25,560
Loans payable	4	-	14,512
<b>TOTAL LIABILITIES</b>		<b>3,717</b>	<b>40,072</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	1,147,897	821,577
Deficit		(419,838)	(76,017)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>728,059</b>	<b>745,560</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 731,776</b>	<b>\$ 785,632</b>

**Nature and continuance of operations (Note 1)**

Approved by the Board of Directors and authorized for issue on February 15, 2019:

"Brent Hahn"

Brent Hahn, Director

"Barry Hartley"

Barry Hartley, Director

**Zenith Exploration Inc.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(Unaudited - Expressed in Canadian Dollars)

		Three months ended January 31,		Six months ended January 31,	
	Note	2019	2018	2019	2018
<b>Expenses</b>					
Consulting fees	6	\$ 10,000	\$ 7,500	\$ 10,000	\$ 7,500
Management fees	6	200,000	-	200,000	-
Office and miscellaneous		38	241	411	541
Professional fees		13,111	6,579	37,056	8,797
Project generation		-	-	9,618	-
Regulatory fees		2,494	126	16,413	2,816
Share-based payments	5,6	66,754	-	66,754	-
Shareholder information		-	-	1,614	-
Transfer agent		1,137	956	1,955	1,956
		\$ (293,534)	\$ (15,402)	\$ (343,821)	\$ (21,610)
<b>Other Income</b>					
Gain on forgiveness of debt		-	-	-	724
<b>Loss and comprehensive loss for the period</b>		\$ (293,534)	\$ (15,402)	\$ (343,821)	\$ (20,886)
<b>Loss per share – basic and diluted</b>		\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>					
		26,278,702	15,821,601	25,558,472	8,109,101

See accompanying notes to the condensed consolidated interim financial statements.

**Zenith Exploration Inc.**Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited - Expressed in Canadian Dollars)

		Share capital				
	Notes	Number of shares	Amount	Reserves	Deficit	Total
<b>Balance at July 31, 2017</b>		<b>396,601</b>	<b>\$ 7,932</b>	<b>\$ -</b>	<b>(16,652)</b>	<b>\$ (8,720)</b>
Issuance of common shares for property		15,000,000	300,000	-	-	300,000
Private placement		9,115,000	516,500	-	-	516,500
Share issuance costs		-	(2,675)	-	-	(2,675)
Loss for the period		-	-	-	(20,886)	(20,886)
<b>Balance at January 31, 2018</b>		<b>24,511,601</b>	<b>\$ 821,757</b>	<b>\$ -</b>	<b>(37,538)</b>	<b>\$ 784,219</b>
<b>Balance at July 31, 2018</b>		<b>24,511,601</b>	<b>\$ 821,577</b>	<b>\$ -</b>	<b>(76,017)</b>	<b>\$ 745,560</b>
Private placement	5	1,121,500	112,150	-	-	112,150
Issuance of common shares for property	3,5	600,000	21,000	-	-	21,000
Exercise of stock options	5	2,563,310	128,166	-	-	128,166
Reallocation of fair value of stock options exercised	5	-	66,754	(66,754)	-	-
Share-based payments	5	-	-	66,754	-	66,754
Share issuance costs	5	-	(1,750)	-	-	(1,750)
Loss for the period		-	-	-	(343,821)	(343,821)
<b>Balance at January 31, 2019</b>		<b>28,796,411</b>	<b>\$ 1,147,897</b>	<b>\$ -</b>	<b>(419,838)</b>	<b>\$ 728,059</b>

**Zenith Exploration Inc.**Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited - Expressed in Canadian Dollars)

	<b>Six months ended January 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Loss for the period	\$ (343,821)	\$ (20,886)
Item not involving cash:		
Issuance of common shares for services	210,000	-
Share-based payments	66,754	-
Gain on forgiveness of debt	-	(724)
Changes in non-cash working capital items:		
Receivables	(11,688)	-
Prepays and advances	(30,132)	(1,465)
Accounts payable and accrued liabilities	(21,843)	13,416
<b>Net cash flows used in operating activities</b>	<b>(130,730)</b>	<b>(9,659)</b>
<b>Investing activities</b>		
Exploration and evaluation assets	(137,926)	(32,571)
<b>Net cash flows used in investing activities</b>	<b>(137,926)</b>	<b>(32,571)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net	18,900	513,825
Loans from related parties	(12,198)	8,527
<b>Net cash flows from financing activities</b>	<b>6,702</b>	<b>522,352</b>
Change in cash	(261,954)	480,122
Cash, beginning of period	448,984	-
<b>Cash, end of period</b>	<b>\$ 187,030</b>	<b>\$ 480,122</b>
<b>Non-cash activities:</b>		
Shares issued for mineral properties	\$ 21,000	\$ 300,000

## Zenith Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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### 1. Nature and continuance of operations

Zenith Exploration Inc. (the "Company") was incorporated on June 19, 2015, under the laws of the Province of British Columbia, Canada. On October 4, 2017, the Company changed its name to Zenith Exploration Inc. The Company is a resource exploration company that is acquiring and exploring mineral properties.

The head office, principal address, records office and registered address of the Company are located at 1080 - 789 West Pender Street, Vancouver BC. On October 11, 2018, the Company commenced trading on the Canadian Securities Exchange (the "Exchange") under the trading symbol "ZX".

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At January 31, 2019, the Company had not yet achieved profitable operations, had accumulated losses of \$419,838 (July 31, 2018 - \$76,017) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors.

### 2. Significant accounting policies and basis of preparation

These condensed consolidated interim financial statements were approved and authorized for issue on February 15, 2019 by the directors of the Company.

#### ***Statement of compliance with International Financial Reporting Standards***

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2018.

#### ***Basis of preparation***

These condensed consolidated interim financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise specified. The financial statements of the Company reflect the consolidation of the financial results of the wholly owned entities controlled since existed.

## Zenith Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months Ended January 31, 2019 and 2018  
(Unaudited - Expressed in Canadian Dollars)

### 2. Significant accounting policies and basis of preparation (cont'd)

#### **Consolidation**

The condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. Details of controlled subsidiaries are as follows:

	Country of incorporation	Percentage owned*	
		January 31, 2019	July 31, 2018
High Point Exploration Inc.	Canada	100%	N/A
Top Explorations Inc.	Canada	100%	N/A

\*Percentage of voting power is in proportion to ownership.

#### **New accounting standards and interpretations**

##### **Financial instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of August 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

##### Classification

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

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on August 1, 2018.

## Zenith Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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### 2. Significant accounting policies and basis of preparation (cont'd)

#### *New accounting standards and interpretations (cont'd)*

##### *Financial instruments (cont'd)*

###### Measurement

###### Financial assets and liabilities at amortized cost

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

###### Financial assets and liabilities at FVTPL

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

###### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the condensed consolidated interim statements of loss and comprehensive 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.

###### 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 condensed consolidated interim statements of loss and comprehensive loss.

#### *Accounting standards issued but not yet applied*

##### Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. 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. IFRS 16 is effective for annual



## Zenith Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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### 2. Significant accounting policies and basis of preparation (cont'd)

#### *Accounting standards issued but not yet applied* (cont'd)

periods beginning on or after January 1, 2019. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

### 3. Exploration and evaluation assets

#### **Scotch Creek Property**

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000.

#### **Lac Matchi Property**

On December 12, 2017, the Company entered into an option agreement with Doctors Investment Group Ltd ("the Optionor"). The Optionor granted the Company the sole and exclusive option to acquire a 100% right, title and interest in and to the property, which is located in the Province of Quebec. In order to exercise the option and to maintain the option in good standing, the Company must:

- (a) Pay to the Optionor:
  - (i) \$20,000 in cash upon the execution of this agreement (paid);
  - (ii) an additional \$10,000 in cash on or before the date that is twelve (12) months after the Effective Date ("Effective Date" means the date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the Company's shares on the facilities of the Exchange and the acceptance by the Exchange of this option agreement and the transactions contemplated by this agreement);
  - (iii) an additional \$25,000 in cash on or before the date that is twelve (12) months after the Effective Date;
  - (iv) an additional \$250,000 in cash on or before the date that is twenty-four (24) months after the Effective Date;
- (b) Issue and deliver to the Optionor:
  - (i) 200,000 shares within five (5) business days of the Effective Date (issued);
  - (ii) 100,000 shares on or before the date that is six (6) months after the Effective Date;
  - (iii) 500,000 shares on or before the date that is twelve (12) months after the Effective Date;
  - (iv) 750,000 shares on or before the date that is twenty-four (24) months after the Effective Date;and
- (c) Incur expenditures on the property as follows:
  - (i) \$250,000 on or before the date that is fourteen (14) months after the Effective Date;
  - (ii) \$750,000 (\$1,000,000 total) on or before the date that is twenty-eight (28) months after the Effective Date.

**Zenith Exploration Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

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**3. Exploration and evaluation assets (cont'd)****Lac Matchi Property (cont'd)**

The Company shall maintain in good standing the claims or other interests comprising the property by the doing and filing of assessment work or the making of payments in lieu.

**Golden Girl Property**

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Golden Girl Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

**Mantle Property**

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Mantle Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

**Zenith Exploration Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**3. Exploration and evaluation assets (cont'd)**

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the period ended January 31, 2019:

	Scotch Creek	Lac Matchi	Golden Girl	Mantle	Total
<b>Property acquisition costs</b>					
Balance, beginning of period	\$ 300,000	\$ 20,000	\$ -	\$ -	\$ 320,000
Additions	-	7,000	8,000	8,000	23,000
<b>Balance, end of period</b>	<b>\$ 300,000</b>	<b>\$ 27,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 343,000</b>
<b>Exploration and evaluation costs</b>					
Balance, beginning of period	\$ 7,839	\$ 5,732	\$ -	\$ -	\$ 13,571
Costs incurred during the period:					
Management fees	-	-	2,619	2,619	5,238
Technical reports	-	-	15,567	17,416	32,983
Surveying	-	-	375	1,412	1,787
Geological consulting	-	-	9,981	-	9,981
Geophysical	-	-	31,056	54,781	85,837
Administration	-	-	-	100	100
<b>Balance, end of period</b>	<b>\$ 7,839</b>	<b>\$ 5,732</b>	<b>\$ 59,598</b>	<b>\$ 76,328</b>	<b>\$ 149,497</b>
<b>Total</b>	<b>\$ 307,839</b>	<b>\$ 32,732</b>	<b>\$ 67,598</b>	<b>\$ 84,328</b>	<b>\$ 492,497</b>

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended July 31, 2018:

	Scotch Creek	Lac Matchi	Total
<b>Property acquisition costs</b>			
Balance, beginning of year	\$ -	\$ -	\$ -
Additions	300,000	20,000	320,000
<b>Balance, end of year</b>	<b>\$ 300,000</b>	<b>\$ 20,000</b>	<b>\$ 320,000</b>
<b>Exploration and evaluation costs</b>			
Balance, beginning of year	\$ -	\$ -	\$ -
Costs incurred during the year:			
Administration	28	180	208
Geological consulting	7,500	5,552	13,052
Travel and accommodation	311	-	311
<b>Balance, end of year</b>	<b>\$ 7,839</b>	<b>\$ 5,732</b>	<b>\$ 13,571</b>
<b>Total</b>	<b>\$ 307,839</b>	<b>\$ 25,732</b>	<b>\$ 333,571</b>

**Zenith Exploration Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**4. Loans payable**

Loan transactions for the period ended January 31, 2019 are as follows:

	<b>January 31, 2019</b>	<b>July 31, 2018</b>
Balance, beginning of period	\$ 14,512	\$ 3,227
Loan receipts	9,372	11,285
Loan repayments	(23,884)	-
Balance, end of period	\$ -	\$ 14,512

**5. Share capital*****Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At January 31, 2019, there were 28,796,411 (July 31, 2018 – 24,511,601) issued and fully paid common shares.

***Share Issuances***

On October 9, 2018, the Company issued 1,125,150 common shares of the Company at a price of \$0.10 per share for gross cash proceeds of \$22,964 and to settle debt of \$89,186 to officers and directors of the Company for management and consulting services.

On December 6, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Golden Girl Property (note 3).

On December 6, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Mantle Property (note 3).

On December 20, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Lac Matchi Property (note 3).

On January 21, 2019, in connection with the exercise of stock options, 2,563,310 shares were issued at a price of \$0.05 per share to officers and directors of the Company to settle debt of \$128,166 for management and consulting services

***Stock options***

On December 7, 2018, the Company granted 2,563,310 stock options to certain directors and officers of the Company at an exercise price of \$0.05 for a period of five years. On January 21, 2019, all 2,563,310 stock options were exercised.

**Zenith Exploration Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**5. Share capital (cont'd)*****Stock options (cont'd)***

The changes in stock options during the period ended January 31, 2019, and the year ended July 31, 2018, are as follows:

	January 31, 2019		July 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	-	\$ -	-	\$ -
Options granted	2,563,310	0.05	-	-
Options exercised	(2,563,310)	0.05	-	-
Options outstanding, end of period	-	\$ -	-	\$ -
Options exercisable, end of period	-	\$ -	-	\$ -

During the period ended January 3, 2019, the Company recorded share-based payments of \$66,754 (2018 - \$Nil). The fair value of options granted during the period ended January 31, 2018 was determined using the Black-Scholes option pricing model with the following assumptions:

	January 31, 2019	January 31, 2018
Risk-free interest rate	1.93%	-
Expected life	5 years	-
Estimated volatility	108%	-
Dividend rate	0.00%	-

***Warrants***

The Company has not issued any warrants and no warrants are outstanding as at January 31, 2019.

**6. Related party transactions**

Payments to key management and directors during the periods ended January 31, 2019 and 2018 were as follows:

	January 31, 2019	January 31, 2018
Management fees paid to officers or to companies controlled by officers	\$ 200,000	\$ -
Consulting fees paid to directors	10,000	-
Share-based payments	66,754	-
Total compensation	\$ 276,754	\$ -

During the six months ended January 31, 2019, the Company received a loan in the amount of \$9,372 from a director of the Company and made total repayments to directors of \$23,884. As at January 31, 2019, loans from related parties are \$Nil (July 31, 2018 - \$14,512). See note 4.