MIRAMONT RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Miramont Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Miramont Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 28, 2019

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

		2019		2018
ASSETS				
Current				
Cash	$	2,348,270	$	3,584,184
Receivables		29,145		31,020
Prepaids and advances		54,693		87,885
		2,432,108		3,703,089
Equipment (Note 5)		17,935		8,390
Exploration and evaluation assets (Note 6)		1,582,016		5,314,045
	$	4,032,059	$	9,025,524
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 7 and 10)	$	78,656	$	104,495
		78,656		104,495
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		12,865,352		10,827,931
Reserves (Note 8)		868,058		428,322
Deficit		(9,780,007)		(2,335,224)
		3,953,403		8,921,029
	$	4,032,059	$	9,025,524

Nature of operations and going concern (Note 1)
Subsequent events (Notes 6 and 8)

Approved by:

/s/ "Tyson King"
Tyson King, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

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

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the year ended July 31,

	2019	2018
Property expenses		
Exploration and evaluation expenditures (Note 6)	$ 2,083,460	$ 865,105
Write-off of exploration and evaluation assets (Note 6)	3,969,379	40,000
	(6,052,839)	(905,105)
Administrative expenses		
Administrative costs (Note 10)	36,000	35,500
Consulting fees	19,481	32,607
Filing fees	28,145	33,132
Management fees (Note 10)	375,247	228,996
Marketing and investor relations	145,625	234,595
Office and miscellaneous	40,641	57,084
Professional fees (Note 10)	226,449	232,285
Rent	9,202	-
Share-based payments (Notes 8 and 10)	449,704	302,844
Shareholder communication	6,313	4,482
Transfer agent	17,740	26,243
Travel	25,132	62,402
	(1,379,679)	(1,250,170)
Operating loss	(7,432,518)	(2,155,275)
Foreign exchange (loss) gain	(52,569)	5,593
Interest income	40,304	29,305
	(12,265)	34,898
Loss and comprehensive loss for the year	$ (7,444,783)	$ (2,120,377)
Loss per common share – basic and diluted	$ (0.14)	$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	52,812,025	39,919,964

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares	Amount	Reserves	Deficit	Total
July 31, 2017	15,050,264	$ 736,680	$ -	$ (214,847)	$ 521,833
Issuance of common shares for cash (Note 8)	20,000,033	6,000,010	-	-	6,000,010
Issuance of common shares for acquisition of Puno Gold Corporation (Notes 4 and 8)	15,048,000	4,514,400	-	-	4,514,400
Share issue costs	-	(297,681)	-	-	(297,681)
Issuance of agents' and finders' warrants (Note 8)	-	(125,478)	125,478	-	-
Share-based payments (Note 8)	-	-	302,844	-	302,844
Loss for the year	-	-	-	(2,120,377)	(2,120,377)
July 31, 2018	50,098,297	10,827,931	428,322	(2,335,224)	8,921,029
Issuance of common shares for cash (Note 8)	4,716,498	1,650,774	-	-	1,650,774
Issuance of common shares from warrant exercise (Note 8)	958,439	436,768	(28,126)	-	408,642
Share issue costs	-	(31,963)	-	-	(31,963)
Issuance of finders' warrants (Note 8)	-	(18,158)	18,158	-	-
Share-based payments (Note 8)	-	-	449,704	-	449,704
Loss for the year	-	-	-	(7,444,783)	(7,444,783)
July 31, 2019	55,773,234	$ 12,865,352	$ 868,058	$ (9,780,007)	$ 3,953,403

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

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)
For the year ended July 31,

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(7,444,783)	$	(2,120,377)
Adjust for items not involving cash:				
Depreciation		1,601		142
Share-based payments		449,704		302,844
Write-off of exploration and evaluation assets		3,969,379		40,000
Change in non-cash working capital items:				
Receivables		1,875		(8,677)
Prepaids and advances		33,192		(83,942)
Accounts payable and accrued liabilities		(25,839)		(31,626)
Net cash used in operating activities		(3,014,871)		(1,901,636)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for exploration and evaluation assets		(237,350)		(26,544)
Acquisition of equipment		(11,146)		(8,532)
Cash acquired on acquisition of Puno Gold Corporation (Note 4)		-		37,431
Net cash provided by (used in) investing activities		(248,496)		2,355
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital		2,059,416		6,000,010
Share issue costs		(31,963)		(297,681)
Repayment of loans payable assumed on acquisition of Puno Gold Corporation (Note 4)		-		(760,335)
Net cash provided by financing activities		2,027,453		4,941,994
Change in cash		(1,235,914)		3,042,713
Cash, beginning of year		3,584,184		541,471
Cash, end of year	$	2,348,270	$	3,584,184

Supplemental cash flow information (Note 11)

1. NATURE OF OPERATIONS AND GOING CONCERN

Miramont Resources Corp. (the "Company") was incorporated on July 15, 2015 under the Business Corporations Act of British Columbia. The Company is a mineral exploration company with a focus on acquiring, exploring and advancing exploration and evaluation assets in Canada and Peru. The Company's head office and principal address is located at 23rd Floor - 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The Company's registered and records office is located at 2974 Strangway Place, Squamish, BC, V8B 0P8. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol MONT.

These consolidated 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company's continuation as a going concern is dependent upon the successful results from its business activities, its ability to obtain profitable operations and generate funds, and/or complete financings sufficient to meet current and future obligations. The Company raised capital in the current and previous reporting periods through private placements of its common shares and exercise of share purchase warrants, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Board of Directors of the Company on November 28, 2019.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiaries.

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its principal subsidiary, Puno Gold Corporation and its principal operating subsidiary, Minera Puno Gold S.A.C. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Percentage of ownership	Principal activity
Puno Gold Corporation	Canada	100%	Holding company
Minera Puno Gold S.A.C.	Peru	100%	Exploration in Peru

Significant estimates

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Valuation of share-based payments - The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Accounting for acquisitions - The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, fair value of assets including mineral reserves and resources acquired, exploration potential, future operating costs and capital expenditures, future metal prices, long-term foreign exchange rates and discount rates as well as the determination of fair value of consideration provided.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, the following:

Carrying value and the recoverability of exploration and evaluation assets - Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

Determination of functional currency - The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

Business combinations - Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with Puno Gold Corporation was determined to constitute an acquisition of assets (Note 4).

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of cash and receivables and are classified as amortized cost.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for using the straight-line method as follows:

Field equipment	10 years

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Rehabilitation provisions (cont'd…)

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no measurable rehabilitation obligations for the years presented.

Impairment

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Common shares - Common shares are classified as shareholders' equity. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as deductions from shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

Preferred shares – Preferred shares are classified as shareholders' equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends declared thereon are recognized as distributions within equity upon approval by the Company's shareholders.

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as interest expense in profit or loss.

When warrants expire unexercised, the value previously recorded in reserves is transferred to share capital.

Share-based payments

The Company accounts for all grants of options to directors, officers, employees, consultants, and advisors in accordance with the fair value method for accounting for share-based payments. Share-based payment awards are calculated using the Black-Scholes option pricing model. Share-based payments to consultants and advisors, who are not providing similar services as employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received.

Compensation expense for share-based payments is recognized immediately for past services and pro-rata for future services over the vesting period of the share-based payment. A corresponding increase in reserves is recorded when share-based payments are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in reserves. When options expire unexercised or are forfeited, deficit is credited by the related portion of share-based payments previously recorded in reserves.

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated by dividing the loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. There was no dilutive effect for the years presented.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Related party 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 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.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for depreciation, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective August 1, 2018:

IFRS 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Prior periods were not restated and there was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from Contracts with Customers

The Company retrospectively adopted *IFRS 15, Revenue from Contracts with Customers.* IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company currently has no revenue. There was no impact on the consolidated financial statements as a result of adopting this standard.

New standards, interpretations and amendments to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

IFRS 16 will replace *IAS 17, Leases*. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria.

The Company adopted the standard effective August 1, 2019. A review of the existence of lease contracts was completed prior to adoption. The expected effect is increased disclosure.

(Expressed in Canadian Dollars)

4. ACQUISITION OF PUNO GOLD CORPORATION

On November 14, 2017, the Company issued 15,048,000 common shares, at a value of $0.30 per common share, for the acquisition of all of the issued and outstanding shares of Puno Gold Corporation ("Puno"), a privately held Ontario corporation and its wholly-owned Peruvian subsidiary, Minera Puno Gold, S.A.C. ("Minera Puno"). Minera Puno is engaged in the business of mineral exploration and evaluation in Peru and holds options to acquire a 100% interest in the Cerro Hermoso and Lukkacha projects (Note 6).

For accounting purposes, the acquisition was treated as an asset acquisition. As such, effective as at the date of closing, the fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Consideration:		
Common shares	**$**	**4,514,400**
Net assets acquired:		
Cash	$	37,431
Receivables		15,477
Accounts payable and accrued liabilities		(65,674)
Loans payable		(760,335)
		(773,101)
Allocation to exploration and evaluation assets (Note 6)		5,287,501
	$	**4,514,400**

During the year ended July 31, 2018, the loans payable were repaid in full.

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Field equipment	Total
Cost		
July 31, 2017	$ -	$ -
Additions	8,532	8,532
July 31, 2018	8,532	8,532
Additions	11,146	11,146
July 31, 2019	$ 19,678	$ 19,678
Accumulated depreciation		
July 31, 2017	$ -	$ -
Depreciation	142	142
July 31, 2018	142	142
Depreciation	1,601	1,601
July 31, 2019	$ 1,743	$ 1,743
Net Book Value		
July 31, 2018	$ 8,390	$ 8,390
July 31, 2019	$ 17,935	$ 17,935

Deprecation is included in exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Project		Cerro Hermoso		Lukkacha		Midas Gold		Total
July 31, 2017	$	-	$	-	$	40,000	$	40,000
Cash payments		26,544		-		-		26,544
Share issuances (Note 4)		3,764,823		1,522,678		-		5,287,501
Write-off of exploration and evaluation assets		-		-		(40,000)		(40,000)
July 31, 2018		3,791,367		1,522,678		-		5,314,045
Cash payments		237,350		-		-		237,350
Write-off of exploration and evaluation assets		(3,969,379)		-		-		(3,969,379)
July 31, 2019	$	59,338	$	1,522,678	$	-	$	1,582,016

Cerro Hermoso

On September 23, 2016, subsequently amended September 18, 2018, Minera Puno entered into an option agreement to acquire a 100% interest in two mining concessions in the district of Santa Lucia, province of Lampa, Puno Region in Peru known as the Cerro Hermoso Concessions for a purchase price of US$3,526,000. The purchase price was to be paid as follows:

- (i) US$50,000 on September 27, 2016 (paid);
- (ii) US$50,000 on or before March 27, 2017 (paid);
- (iii) US$100,000 on or before September 27, 2017 (paid);
- (iv) US$70,000 on or before September 27, 2018 (paid);
- (v) US$156,000 on or before September 27, 2019 (US$56,000 paid to July 31, 2019);
- (vi) US$100,000 on or before September 27, 2020; and
- (vii) US$3,000,000 on or before September 27, 2021.

Subsequent to July 31, 2019, the Company decided to terminate its interest and wrote off the carrying value of the Cerro Hermoso Concessions.

On July 26, 2018, Minera Puno entered into an option agreement to acquire a 100% interest in the Milenios mining concession, contiguous to the Cerro Hermoso Concessions. The Milenios option agreement has a four year term. The purchase price is to be paid as follows:

- (i) US$20,000 on July 26, 2018 (paid);
- (ii) US$25,000 on or before July 26, 2019 (paid);
- (iii) US$30,000 on or before July 26, 2020;
- (iv) US$35,000 on or before July 26, 2021; and
- (v) The greater of: US$200,000 and US$1 for each ounce of gold contained in a National Instrument 43-101 compliant resource on or before July 26, 2022.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Cerro Hermoso (cont'd…)

On February 5, 2019, Minera Puno entered into an option agreement to acquire a 100% interest in the An An mining concession, contiguous to the Cerro Hermoso Concessions. The An An option agreement has a four year term. The purchase price was to be paid as follows:

- (i) US$30,000 on February 5, 2019 (paid);
- (ii) US$20,000 on or before August 5, 2019;
- (iii) US$60,000 on or February 5, 2021; and
- (iv) US$500,000 on or before February 5, 2023.

Subsequent to July 31, 2019, the Company decided to terminate its interest and wrote off the carrying value of the An An mining concession.

During fiscal 2019, the Company recorded a write-off on exploration and evaluation assets of $3,969,379 related to the Cerro Hermoso and An An concessions.

Lukkacha

On May 15, 2017, Minera Puno entered into an option agreement to acquire a 100% interest in certain mining concessions in the District of Chucatamani, Province of Tarata, Tacna Department in Peru, (the "Lukkacha Concessions"), known as the Lukkacha Option Agreement. The Lukkacha Option Agreement has a five year term. The purchase price is to be paid as follows:

- (i) Initial payment of US$200,000 on the effective date of the Lukkacha Option Agreement (paid);
- (ii) Annual payments of US$100,000 starting on the first anniversary of obtaining the Supreme Decree. Supreme Decree refers to the issuance by the President of the Republic and countersigned by the President of the Council of Ministers, the Ministry of Energy and Mines and the Minister of Defense, which will authorize Minera Puno to acquire the Lukkacha Concessions and the rights thereon established in the Lukkacha Option Agreement hereof since the Lukkacha Concessions are located within 50 km from the border with the Republic of Chile; and
- (iii) A final payment of US$2,500,000 on the execution of public deed of transferring mining rights.

Minera Puno must incur exploration expenditures on the Lukkacha Concessions as follows:

- US$1,000,000 within 24 months following the date of obtaining the Supreme Decree; and
- An additional US$1,000,000 within 36 months following the date of obtaining the Supreme Decree.

In the event that any exploration expenditures for the Lukkacha Concessions made by Minera Puno is determined to be less than agreed under the Lukkacha Option Agreement, Minera Puno may remedy the default and keep the Lukkacha Option Agreement in force by paying the vendor an amount equal to 50% of the deficient amount of exploration expenditures.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Lukkacha (cont'd…)

In fiscal 2018, a total of $264,490 of payments were made to the vendor as reimbursement for work incurred by the vendor on Lukkacha. Once the Supreme Decree is obtained, these payments will reduce the exploration expenditures commitment required on Lukkacka.

The Lukkacha Concessions are subject to a 2% NSR in favour of the vendor which will take effect when Minera Puno has received cumulative minimum payments of US$1,000,000 from the sale of minerals from the Lukkacha Concessions. Minera Puno may reduce the NSR to 1.5% by making a payment to the vendor of US$2,000,000. In addition, Minera Puno may further reduce the NSR to 1.0% by making an additional payment to the vendor of US$3,000,000.

Midas Gold

On October 19, 2016, the Company entered into an option agreement to acquire a 100% interest in and to certain mineral claims located in the Riggs and Bruyere Townships of Ontario which are collectively known and described as the Midas Gold Property.

During the year ended July 31, 2018, management decided to discontinue exploration on the Midas Gold Property and, accordingly, wrote off the carrying value of $40,000.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation expenditures for the year ended July 31, 2019 are as follows:

Project	Cerro Hermoso	Lukkacha	Total
Assays	$ 108,667	$ -	$ 108,667
Community programs	11,969	16,114	28,083
Drilling	984,720	-	984,720
Engineering	10,045	-	10,045
Environmental and permitting	315	95,534	95,849
Field supplies	86,907	799	87,706
Geological consulting	17,152	-	17,152
Legal	204	-	204
Property payments, licences and rights	47,522	23,135	70,657
Travel	46,273	6,111	52,384
VAT	256,313	-	256,313
Vehicle rentals and maintenance	52,001	182	52,183
Wages and benefits	319,497	-	319,497
Total	$ 1,941,585	$ 141,875	$ 2,083,460

Exploration and evaluation expenditures for the year ended July 31, 2018 are as follows:

Project	Cerro Hermoso	Lukkacha	Total
Assays	$ 9,829	$ -	$ 9,829
Community programs	13,683	-	13,683
Core shack	1,004	-	1,004
Environmental and permitting	14,683	6,351	21,034
Field supplies	38,578	570	39,148
Geological consulting	171,298	-	171,298
Legal	110	-	110
Property payments, licences and rights	48,785	308,921	357,706
Travel	32,931	1,427	34,358
VAT	67,799	-	67,799
Vehicle rentals and maintenance	28,602	437	29,039
Wages and benefits	120,097	-	120,097
Total	$ 547,399	$ 317,706	$ 865,105

(Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2019		2018
Accounts payable	$	48,656	$	55,412
Accrued liabilities		30,000		49,083
	$	78,656	$	104,495

8. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at July 31, 2019, the Company had not issued any preferred shares.

Issued share capital

During the year ended July 31, 2019, the Company issued:

a) 4,716,498 units at a price of $0.35 per unit by way of a non-brokered private placement, for total proceeds of $1,650,774. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 per common share, for a period of two years from the date of issue. The Company paid a total of $31,963 in finders' fees and legal fees and issued 80,156 finders' warrants. Each finders' warrant entitles the holder to purchase one common share at a price of $0.50 per common share, for a period of two years from the date of issue. The finders' warrants were valued at $18,158, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free interest rate of 1.77%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 120%; and

b) 958,439 common shares, for proceeds of $408,642, on the exercise of warrants.

During the year ended July 31, 2018, the Company issued:

a) 20,000,033 units at a price of $0.30 per unit by way of a brokered and non-brokered private placement, for total proceeds of $6,000,010. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.45 per common share, for a period of two years from the date of issue. The Company paid a total of $297,681 cash in agents' commissions, finders' fees, and legal fees and issued 673,827 agents' and finders' warrants. Each agents' and finders' warrant entitles the holder to purchase one common share at a price of $0.30 per common share, for a period of two years from the date of issue. The agents' and finders' warrants were valued at $125,478 calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free rate of 1.46%, a forfeiture rate of nil, and volatility of 123%; and

8. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

b) 15,048,000 common shares for the acquisition of all of the issued and outstanding shares of Puno at a value of $4,514,400 (Note 4).

Escrow shares

On November 28, 2016, the Company entered into an escrow agreement pursuant to which 8,599,166 common shares have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed shares will be released from escrow upon the original CSE listing date and that an additional 15% will be released therefrom every six month interval thereafter, over a period of 36 months. As at July 31, 2019, there are 2,579,750 (2018 - 5,159,500) shares held in escrow.

On November 9, 2017, the Company entered into an escrow agreement pursuant to which 149,600 common shares have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed shares will be released from escrow upon the post-Puno transaction listing date and that an additional 15% will be released therefrom every six month interval thereafter, over a period of 36 months. As at July 31, 2019, there are 67,320 (2018 - 112,200) shares held in escrow.

Stock options

The Company has a shareholder-approved rolling stock option plan under which the Board of Directors ("Board") may, from time to time in its discretion, grant options to acquire common shares of the Company to its directors, officers, employees, consultants and advisors. The number of shares reserved for issuance under the plan may not exceed 10% of the number of issued and outstanding common shares of the Company. The exercise price of each option is determined by the Board but shall not be less than the market price of the Company's shares on the date prior to the date of grant less any discounts permitted by the CSE under its policies. The options may be granted for a maximum term of 10 years and are subject to such vesting provisions as may be determined by the Board.

During the year ended July 31, 2019, the Company granted 1,145,000 (2018 - 2,620,000) stock options. The options vest 1/3 on grant, 1/3 after one year, and 1/3 after two years. During the year ended July 31, 2019, the Company expensed $449,704 (2018 - $302,844) in connection with the options granted, which was recorded in share-based payments expense.

The weighted average fair value of stock options granted during the year ended July 31, 2019 was $0.343 (2018 - $0.259) per option. The fair value was calculated using the Black-Scholes option pricing model assuming a life expectancy of five years (2018 - five years), a risk free interest rate of 1.81% (2018 - 2.30%), a forfeiture rate of nil (2018 - nil), and volatility of 119% (2018 - 89%).

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

Option transactions are summarized as follows:

	Number of options		Weighted average exercise price
Balance as at July 31, 2017	-	$	-
Granted	2,620,000		0.37
Balance as at July 31, 2018	2,620,000		0.37
Granted	1,145,000		0.42
Forfeited	(316,666)		0.39
Balance as at July 31, 2019	3,448,334	$	0.39

As at July 31, 2019, the Company had outstanding options enabling the holder to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price	Weighted average remaining life (years)	Expiry date
300,000	200,000	$	0.37	3.60	March 6, 2023
2,120,000	1,446,667		0.375	3.80	May 17, 2023*
1,028,334	381,667		0.415	4.56	February 21, 2024*
3,448,334	2,028,334				

* 100,000 and 58,334 options, respectively, were forfeited subsequent to year end

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance as at July 31, 2017	4,233,332	$	0.15
Issued	20,673,860		0.45
Balance as at July 31, 2018	24,907,192		0.39
Issued	4,796,654		0.50
Exercised	(958,439)		0.43
Expired	(4,233,332)		0.15
Balance as at July 31, 2019	24,512,075	$	0.46

As at July 31, 2019, the Company had outstanding share purchase warrants enabling the holders to acquire common shares as follows:

Number of warrants		Exercise price	Weighted average remaining life (years)	Expiry date
19,192,633	$	0.45	0.29	November 14, 2019*
522,788		0.30	0.29	November 14, 2019*
4,796,654		0.50	1.51	January 31, 2021
24,512,075				

* expired subsequent to year end

(Expressed in Canadian Dollars)

9. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		2019		2018
Loss before income taxes	$	(7,444,783)	$	(2,120,377)
Expected income tax recovery	$	(2,010,000)	$	(567,000)
Change in statutory, foreign tax, foreign exchange rates and other		(13,000)		(35,000)
Permanent differences		127,000		82,000
Share issue costs		(9,000)		(80,000)
Adjustment to prior years provision versus statutory tax returns		2,000		-
Impact of acquisition of Puno Gold		-		(735,000)
Change in unrecognized deferred tax assets		1,903,000		1,335,000
Income tax expense (recovery)	$	-	$	-

The significant components of the Company's unrecognized deferred income tax assets and liabilities are as follows:

		2019		2018
Exploration and evaluation assets	$	2,553,000	$	896,000
Equipment		1,000		3,000
Share issue costs		60,000		69,000
Non-capital losses		680,000		423,000
		3,294,000		1,391,000
Unrecognized deferred tax assets		(3,294,000)		(1,391,000)
Net deferred tax assets	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		2019	Expiry date range
Exploration and evaluation assets	$	8,991,000	N/A
Equipment		2,000	N/A
Share issue costs		222,000	2020 to 2023
Non-capital losses		2,488,000	2035 to 2039

Tax attributes are subject to review and potential adjustments by tax authorities.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel:

	2019	2018
Administrative costs	$ -	$ 10,000
Management fees	375,247	207,122
Professional fees	30,000	30,000
Share-based payments	308,577	226,194
	$ 713,824	$ 473,316

As at July 31, 2019, included in accounts payable and accrued liabilities was $10,296 (2018 - $25,857) owing to officers and directors.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing or investing activities are as follows:

	2019	2018
Allocation of reserves on exercise of warrants	$ 28,126	$ -
Common shares issued for acquisition of Puno (Note 4)	-	4,514,400
Warrants issued as agents' and finders' fees	18,158	125,478

12. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets located in Canada and Peru. Geographic information is as follows:

	Canada	Peru	Total
As at July 31, 2019			
Exploration and evaluation assets	$ -	$ 1,582,016	$ 1,582,016
Other assets	2,369,811	80,232	2,450,043
Total assets	$ 2,369,811	$ 1,662,248	$ 4,032,059
For the year ended July 31, 2019			
Loss and comprehensive loss	$ 1,203,404	$ 6,241,379	$ 7,444,783

12. SEGMENTED INFORMATION (cont'd…)

	Canada	Peru	Total
As at July 31, 2018			
Exploration and evaluation assets	$ -	$ 5,314,045	$ 5,314,045
Other assets	3,588,546	122,933	3,711,479
Total assets	$ 3,588,546	$ 5,436,978	$ 9,025,524
For the year ended July 31, 2018			
Loss and comprehensive loss	$ 1,084,906	$ 1,035,471	$ 2,120,377

13. FINANCIAL INSTRUMENT RISK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at July 31, 2019, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The Company's primary bank accounts are held with a major Canadian bank and funds are transferred to the subsidiary's foreign bank accounts as required to cover current expenditures; this minimizes the risk to the Company. Receivables are primarily due from a bank and a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company has sufficient cash as at July 31, 2019 to settle its current liabilities as they come due and management estimates funds are sufficient to further operations for the upcoming twelve months (Note 1).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

Foreign currency exchange risk – this risk relates to any changes in foreign currencies in which the Company transacts. The effect of a 10% change in the foreign exchange rate on cash held in US dollar accounts would be approximately $35,000.

13. FINANCIAL INSTRUMENT RISK (cont'd…)

Market risk (cont'd…)

Interest rate risk – this risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in the interest rates would result in a nominal difference in interest income for the year ended July 31, 2019.

Price risk – this risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company has classified its cash, receivables and accounts payable and accrued liabilities as amortized cost. The fair value of cash is determined using level 1. The fair value of receivables and accounts payable and accrued liabilities approximates their carrying values because of the short-term nature of these instruments.

14. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended July 31, 2019.