Graphite Energy Corp.

Financial Statements

June 30, 2018

(Expressed in Canadian Dollars)

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholderss of Graphite energy Corp.:

We have audited the accompanying financial statements of Graphite Energy Corp., which comprise the statements of financial position as at June 30, 2018 and 2017, the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended June 30, 2018 and the period from inception October 14, 2016 to June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Graphite Energy Corp. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the year ended June 30, 2018 and the period from inception on October 14, 2016 to June 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Graphite Energy Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 29, 2018

(Expressed in Canadian dollars)

	Note	June 30, 2018 -$-	June 30, 2017 -$-
ASSETS			
Current assets			
Cash		147,269	366,436
Receivables		10,970	2,274
Prepaid expenses		10,834	-
		169,073	**368,710**
Non-current assets			
Exploration and evaluation asset	3	579,376	310,225
TOTAL ASSETS		**748,449**	**678,935**
LIABILITIES			
Current liabilities			
Trade payable and accrued liabilities	4	140,517	38,591
TOTAL LIABILITIES		**140,517**	**38,591**
SHAREHOLDERS' EQUITY			
Share capital	5	1,617,389	653,184
Reserve	5	-	164,250
Deficit		(1,009,457)	(177,090)
TOTAL SHAREHOLDERS' EQUITY		**607,932**	**640,344**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**748,449**	**678,935**

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board on October 29, 2018:

"Teresa Cherry" Director *"Adrian F.C. Hobkirk"* Director

The accompanying notes are an integral part of these financial statements

(Expressed in Canadian dollars)

	Note	June 30, 2018 - $ -	Period from October 14, 2016 (inception) to June 30, 2017 - $ -
EXPENSES			
Consulting fees		571,638	-
Investor relations		-	-
Office and administration		5,468	700
Management and consulting fees	6	91,438	103,001
Professional fees	6	98,296	53,283
Regulatory and filing fees		17,597	8,973
Share-based payments	5	3,255	-
Shareholder communications		15,644	11,133
Transfer agent fees		35,711	-
Total operating expenses		(839,047)	(177,090)
Other items			
Foreign exchange gain		6,680	-
Net loss and comprehensive loss		**(832,367)**	**(177,090)**
Basic and diluted loss per share		**(0.03)**	**(0.01)**
Weighted average shares outstanding		**24,061,052**	**12,726,641**

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Notes	Share capital		Special warrants	Reserve	Deficit	Total
		Number of shares	Amount -$-	-$-	-$-	-$-	-$-
Balance at October 14, 2016		-					
Shares issued, net of share issue cost	5	12,100,000	273,184		-	-	273,184
Shares issued, exercise of warrants	5	300,000	30,000				30,000
Shares issued, option payment	3,5	5,000,000	250,000				250,000
Compensation shares	3	2,000,000	100,000				100,000
Special warrants issued	5	-		167,550			167,550
Special warrants cancelled	5	-		(3,300)			(3,300)
Net loss for the period		-	-	-	-	(177,090)	(177,090)
Balance at June 30, 2017		**19,400,000**	**653,184**	**164,250**	**-**	**(177,090)**	**640,344**
Special warrants issued	5	-	-	1,900	-	-	1,900
Shares issued, special warrants converted	5	1,661,500	166,150	(166,150)	-	-	-
Private placement	5	2,000,000	200,000	-	-	-	200,000
Warrants exercised	5	5,049,000	584,800	-	-	-	584,800
Share-based payments	5	-	-	-	3,255	-	3,255
Stock options exercised	5	50,000	10,000	-	-	-	10,000
Reallocation of fair value of stock options exercised	5	-	3,255	-	(3,255)	-	-
Net loss for the period		-	-	-	-	(832,367)	(832,367)
Balance at June 30, 2018		**28,160,500**	**1,617,389**	**-**	**-**	**(1,009,457)**	**607,932**

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statement of Cash Flows
(Expressed in Canadian dollars)

	June 30, 2018 -$-	Period from October 14, 2016 (inception) to June 30, 2017 -$-
Operating activities		
Loss for the period	(832,367)	(177,090)
Adjustments for non-cash items:		
Share-based payments	3,255	-
Compensation shares	-	100,000
Net change in non-cash working capital items:		
Receivables	(8,696)	(2,274)
Prepaid expenses	(10,834)	-
Accounts payable and accrued liabilities	25,364	38,591
Net cash flows used in operating activities	(823,278)	(40,773)
Investing activities		
Expenditures on exploration and evaluation asset	(192,589)	(60,225)
Net cash flows used by investing activities	(192,589)	(60,225)
Financing activities		
Issued shares, net of share issue costs	200,000	303,184
Issuance of special warrants	1,900	164,250
Exercise of options	10,000	-
Exercise of warrants	584,800	-
Net cash flows provided by financing activities	796,700	467,434
Change in cash during period	(219,167)	366,436
Cash, beginning	366,436	-
Cash, ending	**147,269**	**366,436**

During the year ended June 30, 2018:

- The Company converted 1,661,500 special warrants valued at $166,150, into units of the Company;
- The Company reclassified $3,255 from reserves to share capital on the exercise of 50,000 stock options; and
- Expenditures of $76,562 on exploration and evaluation assets are included in accounts payable accrued liabilities.

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern

Graphite Energy Corp. (the "Company") was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada.

The head office and principal address of the Company is located at 789 West Pender Street, Suite 1510, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records office address is 221 West Esplanade, Suite 409, North Vancouver, British Columbia, Canada, V7M 3J3.

These 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 was not expected to continue operations for the foreseeable future. At June 30, 2018, the Company had not achieved profitable operations, had an accumulated deficit of $1,009,457, had not advanced its mineral property to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation

These financial statements were authorized for issue on October 29, 2018, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
These financial statements of the Company 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").

Basis of preparation
These financial statements of the Company have been prepared on the accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

Significant accounting judgments, estimates and assumptions
The preparation of 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 this year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

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

Significant accounting judgments, estimates and assumptions *(cont'd)*
Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.

ii) Impairment of assets
Economic recoverability and probability of future benefits of exploration and evaluation costs. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

iii) Exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

iv) Deferred taxes
Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

v) Share-Based Compensation
The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan whereby notional shares are granted to employees, board of directors and key consultants. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

Foreign currency translation
The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

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

Foreign currency translation *(cont'd)*

Transactions and balances:
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the period-end exchange rate. Non-monetary assets and liabilities measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exploration and evaluation assets
Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments
Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of 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 cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting is determined by the Board of Directors.

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

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss ("FVTPL") when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Financial liabilities

Financial liabilities are classified at FVTPL when they comprise derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities initially measured at fair value and subsequently measured at amortized cost. Transaction costs incurred upon the issuance of debt instruments or modification of a financial liability are deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

The Company has classified its cash at fair value through profit or loss. Trade payables and amounts due to related parties are classified as other financial liabilities.

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

Financial instruments *(cont'd)*

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

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

***Income taxes** (cont'd)*

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Loss per share
Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic 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 exercise were used to acquire common shares at the average market price during the reporting period.

Restoration and environmental obligations
The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in 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 the 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.

The Company did not have any restoration provisions at June 30, 2018 and 2017.

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

New accounting standards not yet adopted

IFRS 9, Financial Instruments – Classification and Measurement, is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements. This standard is tentatively effective for annual periods beginning on or after January 1, 2018, and will not have any impact on the financial statements of the Company.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial instruments.

3. Exploration and evaluation asset

Lac Aux Bouleaux Graphite Project – Quebec, Canada

On December 20, 2016, and amended March 30, 2017 and September 11, 2017, the Company entered into a purchase option agreement ("agreement") with Gold Port Resources Ltd ("GPRL") to earn a 100% interest in the Lac Aux Bouleaux Graphite Project ("LAB Project"). The LAB Project is a contiguous set of 14 claims located in the Province of Quebec. To earn its interest in the project, the Company must pay GPRL $60,000 (paid), a second payment of $60,000 (paid) on the closing date (the date on which the shares of the Company trade on a stock exchange) and a final payment of $60,000 six months from the closing date. Additionally, the Company must issue 5,000,000 common shares (issued) upon signing of the agreement, which shall be subject to a one-year trading restriction from the closing date in addition to any trading restrictions imposed by the British Columbia Securities Commission.

The Company is currently in negotiations with GPRL with respect to the final payment of $60,000 that was due on April 15, 2018.

(Expressed in Canadian dollars)

3. Exploration and evaluation assets (cont'd)

The Company incurred exploration and evaluation costs during the years ended June 30, 2018 and 2017 as follows:

	Year ended June 30, 2018 -$-	Year ended June 30, 2017 -$-
Property acquisition costs		
Opening balance	310,000	-
Costs incurred during the year:		
Additions - cash	60,000	60,000
Additions - shares	-	250,000
Total property acquisition costs	370,000	310,000
Exploration and evaluation costs		
Opening balance	225	
Costs incurred during the year:		
Administration	1,483	225
Assaying	27,188	
Camp operations	26,759	
Consulting	77,251	
Drilling	54,553	
Travel and accommodation	21,917	
Total exploration and evaluation costs	209,376	225
Ending Balance	579,376	310,225

4. Trade payables and accrued liabilities

	June 30, 2018 -$-	June 30, 2017 -$-
Trade payables	25,081	24,488
Amounts due to related parties (Note 6)	105,336	4,103
Accrued liabilities	10,100	10,000
Total	140,517	38,591

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At June 30, 2018, there were 28,160,500 (2017: 19,400,000) issued and fully paid common shares.

On November 2, 2017, the Company completed a private placement comprised of 2,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $200,000.

During the year ended June 30, 2018, 1,661,500 special warrants were converted into 1,661,500 common shares and 830,750 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $0.20 per share.

During the year ended June 30, 2018, 5,049,000 warrants were exercised at prices ranges from $0.10 to $0.20 per share for gross proceeds of $584,800.

During the year ended June 30, 2018, 50,000 stock options at a price of $0.20 were exercised for gross proceeds of $10,000.

On October 15, 2016 the Company issued 3,000,000 common shares at $0.005 per share for proceeds of $15,000.

On October 31, 2016, the Company issued a total of 6,500,000 units at $0.02 per unit, for gross proceeds of $130,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from closing of the private placement, at an exercise price of $0.10 per share.

On November 15, 2016, the Company issued a total of 2,600,000 units at $0.05 per unit, for gross proceeds of $130,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from closing of the private placement, at an exercise price of $0.10 per share.

The Company incurred share issuance costs of $1,816 in relation to the above share issuances.

During the period ended June 30, 2017, 300,000 warrants with an exercise price of $0.10 were exercised for proceeds of $30,000.

On May 11, 2017, the Company issued a total of 5,000,000 common shares pursuant to a purchase option agreement with a fair value of $250,000 (Note 3).

On May 11, 2017, the Company issued 2,000,000 common shares to an officer of the Company as share-based compensation included in management expense, with a fair value of $100,000. The fair value was determined based on the issue price of the previous private placement of common shares.

5. Share capital and reserves (cont'd)

Warrants

In August 2017, 19,000 special warrants were issued for proceeds of $1,900. Each special warrant entitles the holder to acquire one unit of the Company. Each unit consists of one common share and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $0.20 per share.

During the year ended June 30, 2018, 1,661,500 special warrants were converted into 1,661,500 common shares and 830,750 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $0.20 per share.

During the year ended June 30, 2018, 5,049,000 warrants were exercised into 5,049,000 common shares of the Company for gross proceeds of $584,800.

On February 28, 2017, the Company issued 1,660,500 special warrants ("Special Warrant") for gross proceeds of $166,050 pursuant to a private placement. Each Special Warrant entitles the holder to acquire one unit ("Unit") of the Company. Each Unit consists of one common share and one-half of one share purchase warrant ("Regular Warrant"). Each full Regular Warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $0.20 per share.

On April 10, 2017, the Company issued an additional 15,000 Units for gross proceeds of $1,500 pursuant to a private placement. Each Unit consists of special warrant ("Special Warrant") and one-half of one share purchase warrant ("Regular Warrant"). Each Special Warrant entitles the holder the right to acquire, without additional payment, one common share of the Company. Each full Regular Warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months from closing of the private placement, at an exercise price of $0.20 per share.

The Special Warrants will automatically convert to common shares of the Company on the earlier of: (a) the first business day following the day on which a receipt for a final prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia or such other jurisdictions as may be determined by the Company qualifying the distribution of the common shares; and (b) four months and a day from the date of the issuance of the Special Warrants.

During the period ended June 30, 2017, 33,000 Special Warrants were cancelled and $3,300 was returned to the investors.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

Warrants *(cont'd)*

The following table summarizes information about the warrant transactions during the year ended June 30, 2018:

	Special Warrants		Warrants	
	Number of warrants	Weighted average exercise price - $ -	Number of warrants	Weighted average exercise price - $ -
Outstanding, June 30, 2017	1,642,500	-	4,250,000	0.10
Issued	19,000	-	830,750	0.20
Exercised/converted	(1,661,500)	-	(5,049,000)	0.12
Outstanding, June 30, 2018	-	-	31,750	0.20

The weighted average remaining life of the warrants is 0.52 years.

Warrants outstanding at June 30, 2018 are as follows:

Outstanding Warrants	Exercise Price - $ -	Expiry Date
18,500	0.20	January 1, 2019
5,000	0.20	February 11, 2019
8,250	0.20	April 4, 2019
31,750		

Stock options

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

On October 19, 2017, the Company granted 325,000 stock options to certain directors and consultants of the Company. These options were exercisable for up to five years at a price of $0.20 per share. On February 8, 2018, prior to any of these stock options vesting, 275,000 of these options were cancelled. The Company recognized share-based payments of $3,255 (2017 - $Nil) for the year ended June 30, 2018 determined by the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.7%, volatility of 100.14%, a dividend rate of Nil and an expected life of 5 years.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

Stock options *(cont'd)*

During the year ended June 30, 2018, 50,000 options were exercised for gross proceeds of $10,000.

No options were outstanding at June 30, 2018.

Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

6. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	June 30, 2018 - $ -	**June 30, 2017 - $ -**
Companies controlled by current and former directors and officers of the Company	72,346	-
Directors and officers of the Company	32,990	4,103
	105,336	4,103

Transactions

During the year ended June 30, 2018, the Company incurred exploration expenditures of $101,008 and management fees of $14,125 with a company controlled by the former CEO of the Company for geological and management services. The Company also incurred professional fees of $29,377 with a company controlled by a former director and officer for accounting and corporate secretarial services and $25,000 in management and consulting fees with a company controlled by an officer and director of the Company for CFO services, and $52,313 in consulting fees with directors of the company or companies controlled by directors.

During the period ended June 30, 2017, the Company incurred professional fees of $4,103 with a company controlled by a former director and officer for accounting and corporate secretarial services. The Company also issued 2,000,000 common shares to a former officer of the Company as management expense, with a fair value of $100,000 (Note 5).

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

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 primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at June 30, 2018, the Company had no financial assets or liabilities denominated in a foreign currency and foreign exchange risk is assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the year ended June 30, 2018.

(Expressed in Canadian dollars)

7. Financial risk and capital management (cont'd)

Fair value

The Company's financial instruments consist of cash, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

Cash is measured at fair value using Level 1 inputs.

8. Income tax

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

	June 30, 2018 **-$-**	**June 30, 2017** **-$-**
Net loss	(832,367)	(177,090)
Statutory tax rate	26%	26%
Expected income tax recovery	(216,415)	(46,043)
Other	845	(472)
Change in unrecognized deductible temporary differences	215,570	46,515
Total income tax recovery	-	-

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

	June 30, 2018 **-$-**	**June 30, 2017** **-$-**
Unrecognized deferred tax assets:		
Share issue costs	283	378
Non-capital losses	111,164	30,479
Resource pool	150,638	15,659
Total unrecognized deferred tax assets	262,085	46,515