



**Gratomic**

GRATOMIC INC.  
INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

The accompanying interim unaudited condensed consolidated financial statements for Gratomic Inc. have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These interim unaudited condensed consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

**GRATOMIC INC.**  
**INTERIM UNAUDITED CONDENSED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Expressed in Canadian Dollars

	Notes	June 30, 2019	December 31, 2018
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		179,971	2,558,544
Marketable securities	<b>3</b>	169,960	-
Amounts receivable	<b>3</b>	308,932	495,992
Prepays		254,192	453,367
		913,055	3,507,903
Exploration and evaluation assets	<b>4</b>	5,486,661	5,003,062
Property and equipment	<b>5</b>	2,475,067	2,098,255
		8,874,783	10,609,220
<b>Liabilities</b>			
<b>Current</b>			
Amounts payable and accrued liabilities	<b>8</b>	490,362	466,340
Loans payable to a director		80,000	-
		570,362	466,340
<b>Long Term</b>			
Decommissioning liability		50,000	50,000
<b>Total liabilities</b>		<b>620,362</b>	<b>516,340</b>
<b>Shareholders' equity</b>			
Share capital	<b>7</b>	19,297,423	19,196,978
Reserves		3,033,794	3,179,500
Deficit	<b>7</b>	(15,626,318)	(13,654,188)
Equity attributable to owners of the Company		6,704,899	8,722,290
Non- controlling interest	<b>6</b>	1,549,522	1,370,590
<b>Total equity</b>		<b>8,254,421</b>	<b>10,092,880</b>
<b>Total shareholders' equity and liabilities</b>		<b>8,874,783</b>	<b>10,609,220</b>
<b>Nature of operations and going concern</b>	<b>1</b>		
<b>Commitments and contingencies</b>	<b>11</b>		

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

**GRATOMIC INC.**  
**INTERIM UNAUDITED CONDENSED**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

Expressed in Canadian Dollars

	Three months ended June 30,		Six months ended June 30,		
	Not	2019	2018	2019	2018
		\$	\$	\$	\$
<b>Operating expenses</b>					
Consulting		174,220	-	<b>372,735</b>	-
Filing fees and permits		1,027	5,311	<b>31,336</b>	19,990
Investor relations		7,856	42,076	<b>22,856</b>	78,771
Management fees		87,000	81,500	<b>529,000</b>	150,500
Marketing		129,543	230,200	<b>500,785</b>	350,964
Office and other		81,544	40,437	<b>228,855</b>	62,582
Professional fees		42,819	40,770	<b>73,744</b>	106,714
Share-based compensation		-	138,150	<b>35,541</b>	167,727
Travel, meals and accomodation		123,755	76,576	<b>247,243</b>	88,016
Reversal of flow-through premium liability		-	-	-	(23,008)
<b>Net loss before the following</b>		(647,764)	(655,020)	<b>(2,042,095)</b>	(1,002,256)
Unrealized gain on marketable securities		12,497	-	<b>69,965</b>	-
<b>Net loss and comprehensive (loss) for the period</b>		(635,267)	(655,020)	<b>(1,972,130)</b>	(1,002,256)
<b>Comprehensive loss for the year attributable to:</b>					
Owners of the Company		(635,267)	(655,020)	<b>(1,972,130)</b>	(1,002,256)
<b>Basic and diluted loss per share</b>		(0.00)	(0.01)	<b>(0.01)</b>	(0.01)
<b>Weighted average number of shares outstanding</b>		169,555,889	113,916,981	<b>169,671,739</b>	112,896,267

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

**GRATOMIC INC.**  
**INTERIM UNAUDITED CONDENSED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30,**  
Expressed in Canadian Dollars

	2019	2018
	\$	\$
<b>Operating Activities</b>		
Net loss for the period	(1,972,130)	(1,002,256)
Non-cash items:		
Amortization	-	23,628
Share-based compensation	35,541	167,727
Unrealized gain on marketable securities	(69,965)	-
Reversal of flow through premium	-	(23,008)
Change in receivable	187,060	(18,868)
Change in prepaid expenses	199,175	-
Changes in accounts payable and accrued liabilities	24,023	(97,454)
Cash used for operating activities	(1,596,296)	(950,231)
<b>Investing Activities</b>		
Exploration and evaluation expenditures	(370,387)	(443,125)
Purchase of property and equipment	(490,025)	(807,504)
Marketable securities acquired	(99,995)	-
Cash used for investing activities	(960,407)	(1,250,629)
<b>Financing Activities</b>		
Loans payable to directors	80,000	-
Proceeds from issuance of common shares from options exercised	-	27,000
Proceeds from issuance of common shares from warrants exercised	98,130	459,493
Cash provided by financing activities	178,130	486,493
Decrease in cash	(2,378,572)	(1,714,367)
Cash, beginning of period	2,558,544	2,317,221
Cash, end of period	179,971	602,854
<b>Supplemental information</b>		
Non-cash transactions	\$	\$
Amortization included in exploration and evaluation assets	113,213	-

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

**GRATOMIC INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

Expressed in Canadian Dollars

	Notes	Number of shares	Share capital \$	Share-based payment reserves \$	Deficit \$	Attributable to owners \$	Non-controlling Interest \$	Total Equity \$
<b>December 31, 2017</b>		111,066,989	13,693,171	2,463,343	(10,257,019)	5,899,495	1,160,305	7,059,800
Shares issued for warrants exercised		2,962,750	459,493	-	-	459,493	-	459,493
Shares issued for options exercised		390,000	27,000	-	-	27,000	-	27,000
Transfer of share based payment reserve to share capital for warrants and options exercised		-	21,636	( 21,636)	-	-	-	-
Share-based compensation		-	-	167,727	-	167,727	-	167,727
Non-controlling interests carried interest		-	-	(78,827)	-	(78,827)	78,827	-
Net loss for the period		-	-	-	(1,002,256)	(1,002,256)	-	( 1,002,256)
<b>June 30, 2018</b>		114,419,739	14,201,300	2,530,607	(11,259,275)	5,472,632	1,239,132	6,711,764
<b>December 31, 2018</b>		<b>168,678,739</b>	<b>19,196,978</b>	<b>3,179,500</b>	<b>(13,654,188)</b>	<b>8,722,290</b>	<b>1,370,590</b>	<b>10,092,880</b>
Shares issued for warrants exercised	7(I)	993,000	98,130	-	-	98,130	-	98,130
Transfer of reserves to share capital for the original estimated fair value of warrants exercised	7(I)	-	2,315	( 2,315)	-	-	-	-
Share-based compensation		-	-	35,541	-	35,541	-	35,541
Non-controlling interests carried interest	6	-	-	(178,932)	-	(178,932)	178,932	-
Net loss for the period		-	-	-	( 1,972,130)	(1,972,130)	-	(1,972,130)
<b>June 30, 2019</b>		<b>169,671,739</b>	<b>19,297,423</b>	<b>3,033,794</b>	<b>(15,626,318)</b>	<b>6,704,899</b>	<b>1,549,522</b>	<b>8,254,421</b>

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

**GRATOMIC INC.**  
**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Gratomic Inc. (hereafter the “Company”) was incorporated under the Business Corporations Act (Ontario), and is listed on the TSX Venture Exchange (TSX-V: GRAT). The Company’s corporate office is located at 130 Spadina Avenue, Suite 401, Toronto ON, M5V 2L4. The Company is a junior exploration company engaged in the acquisition and exploration of assets located primarily in Canada and Namibia.

The Company’s ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. These conditions indicate the existence of material uncertainties which cast significant doubt on the Company’s ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental and social requirements.

These interim consolidated statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has incurred a loss for the six months ended June 30, 2019 of \$1,972,130 and has an accumulated deficit of \$15,626,318. The Company is a junior mining company and is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, and the ability to maintain adequate cash flows, and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the 12-month period ended June 30, 2020 and therefore the Company will be required to secure additional funding. These challenges and the continued cumulative operating losses cast significant doubt on the Company’s ability to continue as a going concern. These consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments can be material.

The interim unaudited condensed consolidated financial statements of the Company for the six months ended June 30, 2019 and 2018 were authorized for issuance in accordance with a resolution of the board of directors on August 28, 2019.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These interim unaudited condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The interim unaudited condensed consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards (“IFRS”). These interim consolidated statements for the six months ended June 30, 2019 and 2018 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2018. The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation of and as described in note 2 of the annual consolidated financial statements as at and for the year ended December 31, 2018.

**Critical judgements and sources of estimation uncertainty**

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the interim unaudited condensed consolidated financial statements are as follows:

i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

ii) Capitalization of deferred exploration costs

Minority interest and equity are adjusted to reflect the ownership interest of consolidated subsidiaries in which a minority interest shareholder has a carried interest.

Management is required to assess impairment of intangible exploration and evaluation assets and property and equipment. The triggering events are defined in IFRS 6 and IAS 36 respectively. In making the assessment, management is required to make judgments on the status of each project and the future plans toward finding commercial reserves to which the exploration and evaluation assets and property and equipment relate to.

Management has determined that there were no triggering events present as at June 30, 2019 and 2018, as defined in IFRS 6 and IAS 36, as such, no impairment test was performed.

Critical estimates exercised are as follows:

i) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value

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estimate and the Company's earnings and equity settled benefits.

ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**Basis of consolidation**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the interim unaudited condensed consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the interim unaudited condensed consolidated financial statements include the accounts of the following subsidiary companies, for which all significant inter-company transactions and balances have been eliminated.

Name	Place of incorporation	Ownership %
Gratomic Graphite (pty) Limited	Namibia	100%
Ludbay Properties Pty Ltd.	Namibia	100%
Luxury Investments	Namibia	100%
Gazania Investments Two Hundred and Forty Two (Pty) Ltd	Namibia	63%
Gratomic UK Ltd	UK	100%

**3. MARKETABLE SECURITIES AND ACCOUNTS RECEIVABLE**

Marketable securities:

The Company's holds 499,884 shares of Goldspot Discoveries Inc. (TSXV:SPOT) (2018 – Nil) which have been designated as FVPL and are reported at fair value based on quoted market prices.

Amounts receivable:

The amounts receivable balance in the amount of \$308,932 (December 31, 2018 - \$495,992) is due \$25,778 and \$283,154 from the Canadian and Namibian governments respectively.



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**4. EXPLORATION AND EVALUATION ASSETS**

Following is a summary of the exploration and evaluation assets

For the year ended December 31, 2018	Beginning Balance	Exploration costs	Ending Balance
	(\$)	(\$)	(\$)
Aukam Namibia project	3,135,959	568,340	3,704,299
Montpellier Quebec project	317,240	4,159	321,399
Buckingham Quebec project	746,864	230,500	977,364
	<b>4,200,063</b>	<b>802,999</b>	<b>5,003,062</b>

  

For the six months ended June 30, 2019	Beginning Balance	Exploration costs	Ending Balance
	(\$)	(\$)	(\$)
Aukam Namibia project	3,704,299	483,599	4,187,898
Montpellier Quebec project	321,399	-	321,399
Buckingham Quebec project	977,364	-	977,364
	<b>5,003,062</b>	<b>483,599</b>	<b>5,486,661</b>

**Montpellier, Quebec**

The Montpellier property consists of claims located in the Hartwell Township, Casse Laurentides Region in Quebec. The vendors have been granted a 2% net smelter royalty (“NSR”). The Company has the right to repurchase a 1% NSR from the vendors for \$1,000,000.

**Buckingham, Quebec**

The Company has acquired a 100% interest in the Buckingham properties located in the Province of Quebec.

**Aukam Graphite Project, Namibia**

The Aukam Graphite project is a property located in Namibia’s Karas Region in Africa. The rights to explore and develop parts of the property, which are of primary interest, are owned by Gazania Investments Two Hundred and Forty Two (Pty) Ltd (“Gazania”). The Company purchased a 63% interest in Gazania. Under certain terms of the purchase agreements, the Company is required to complete the plant and infrastructure set up (which in progress) necessary to process 5,000 tonnes of graphite per year, and obtain government authorization to begin commercial operations (in progress); the timeline for these activities is referred to herein as the Farm-Out period.

Should completion of the plant and infrastructure set up necessary to process 5,000 tonnes of graphite per year extend six months beyond receipt of the mining license, the vendor will be paid USD\$25,000, per quarter that it is so extended, until the plant and infrastructure set-up are complete. In the event that the necessary plant and infrastructure set up is extended, and the revenue is less than USD\$100,000 per month, the Company will loan the vendor US\$25,000 per quarter. Interest on the loan will be compounded monthly at a rate equal to one-month term LIBOR plus one.

Should the Company fail to make any required payments until the Farm-Out period is complete or fail to complete the plant infrastructure 6 months after receipt of the mining license, it will forfeit 2% of its

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interest for each 30-day delay.

Following conclusion of the Farm-Out period the Company will fund all operations to run all plant related activities and expenditures for the first five months. Thereafter, the Company and the vendor will contribute funding proportionate to their respective holdings.

The Company has the option to buy an incremental 10% of the vendor's remaining interest for a cash payment of USD\$180,000.

A 2% revenue royalty is payable to the individual who farms the property.

Under Namibian laws royalties are payable in connection with the Aukam Graphite Project as follows:

- a) A 3% revenue royalty is payable the Namibian government.
- b) A 6% net profit incentive, required under the Namibian Economic Empowerment Framework, is payable to employees working on the project.

**5. Property Plant and Equipment**

	<b>Land</b>	<b>Buildings</b>	<b>Furniture, fixtures and equipment</b>	<b>Vehicles</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost</b>					
At December 31, 2017	369,434	69,904	238,435	18,762	696,535
Additions	-	216,500	938,329	321,011	1,475,841
At December 31, 2018	369,434	286,404	1,176,764	339,773	2,172,376
Additions	-	70,051	365,933	54,041	490,025
At June 30, 2019	369,434	356,455	1,542,697	393,814	2,662,401

**Accumulated Depreciation**

At December 31, 2017	-	-	38,055	5,629	43,684
Depreciation	-	7,160	513	22,764	30,437
At December 31, 2018	-	7,160	38,568	28,393	74,121
Depreciation	-	3,417	448	109,347	113,213
At June 30, 2019	-	10,577	39,016	137,740	187,334

**Carrying Value**

At December 31, 2018	369,434	279,244	1,138,196	311,381	2,098,255
At June 30, 2019	369,434	345,878	1,503,681	256,074	2,475,067

**6. NON-CONTROLLING INTEREST**

The Company owns 63% of Gazania, and Next Graphite owns 37%. Next Graphite has a free carried interest in the Gazania until a specified period after the conclusion of the Farm-Out period as disclosed in Note 4. Next Graphite's interest in Gazania has been accounted for as a non-controlling interest in these financial statements. Changes to the non-controlling interest have been offset to reserves.

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A reconciliation of the non-controlling interest is as follows:

	June 30, 2019	December 31, 2018
	\$	\$
Opening balance /Initial recognition of NCI	1,370,590	1,160,305
NCI free carried interest	178,932	210,285
Ending balance	1,549,522	1,370,590

**7. SHARE CAPITAL, OPTIONS, AND WARRANTS**

**(I) Common Shares**

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

During the six months ended June 30, 2019:

As a result of warrants that were exercised, 993,000 common shares were issued for proceeds of \$98,130. The original estimated fair value of the warrants exercised, in the amount of \$2,315, was transferred from the share-based payments reserve to share capital.

During the year ended December 31, 2018:

- i) A non-brokered private placement of 23,425,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$2,342,500 was completed. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of \$0.20 per share until the earlier of August 10, 2021, or in the event that the closing price of the common shares is at least \$0.30 for ten consecutive trading days, and the tenth trading day is at least four months from the closing date, the date which is thirty (30) days from the tenth trading day. Officers, directors, the wife and daughter of one of the co-CEO's, and a company of which one of the Company's co-CEO's is the CEO, participated in the private placement in the amount of \$876,500.

The Company paid cash share issue costs of \$129,971 and issued 942,500 broker warrants in relation to the sale of the units. Each broker unit entitles the holder to acquire one common share of the company at a price of \$0.10 for a period of three years.

- ii) A non-brokered private placement of 25,000,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$2,500,000 was completed. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of \$0.20 per share until the earlier of December 11, 2021, or in the event that the closing price of the common shares is at least \$0.30 for ten consecutive trading days, and the tenth trading day is at least four months from the closing date, the date which is thirty (30) days from the tenth trading day. Officers, directors and the wife of one of the co-CEO's participated in the private placement in the amount of \$284,200.

The Company paid cash share issue costs of \$137,934 and issued 962,400 broker warrants in connection with the sale of the units. Each broker warrant entitles the holder to acquire one common share of the company at a price of \$0.10 for a period of three years.

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**(II) Stock Options**

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the “Stock Option Plan”) which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, and the exercise price to be determined by the Board at the time the option is granted.

During the year ended December 31, 2018, the Company:

Granted 7,250,000 stock options with an estimated fair value of \$795,782, of which 5,600,000 stock options with a value of \$637,920 were issued to directors and officers. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	145.0%
Risk-free interest rate	2.020%
Expected life of options	5 years

All of the options granted vested immediately, except for 650,000 which vested 25% on October 2, 2018 and 25% every six months to March 10, 2020.

During the six months ended June 30, 2019, the Company:

Granted 400,000 stock options with an estimated fair value of \$19,770, to consultants of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	153.7%
Risk-free interest rate	1.600%
Expected life of options	2 years

The options granted vest 25% on October 2, 2018 and 25% every three months to December 20, 2019.

A summary of option transactions is as follows:

	Number of options	Weighted average exercise price
Balance December 31, 2017	10,563,334	0.130
Granted	7,250,000	0.130
Exercised	(300,000)	0.090
Expired/Cancelled	(1,263,334)	0.135
Balance December 31, 2018	16,250,000	0.125
Granted	400,000	0.120
Balance June 30, 2019	16,650,000	0.125

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A summary of options outstanding at June 30, 2019 is as follows:

<b>Exercise price</b>	<b>Number outstanding</b>	<b>Number exercisable</b>	<b>Remaining contractual life in months</b>	<b>Weighted average exercise price</b>
0.100	450,000	450,000	20	0.100
0.170	3,750,000	3,750,000	33	0.170
0.070	900,000	900,000	38	0.070
0.100	3,900,000	3,900,000	42	0.100
0.140	250,000	250,000	42	0.100
0.145	850,000	850,000	46	0.145
0.145	300,000	300,000	47	0.145
0.115	650,000	325,000	51	0.115
0.130	5,200,000	5,200,000	54	0.130
0.120	400,000	200,000	21	0.120
	16,650,000	16,125,000		0.125

**(III) Warrants**

Following is a summary of warrant activity for the six months ended June 30, 2019 and 2018:

	<b>Number of Warrants</b>	<b>Weighted average exercise price \$</b>
Balance, December 31, 2017	59,167,783	0.12
Granted	50,329,900	0.20
Exercised	(8,886,750)	0.12
Balance, December 31, 2018	100,610,933	0.16
Exercised	(993,000)	0.10
Expired	(1,824,500)	0.09
Balance June 30, 2019	97,793,433	0.16

As at June 30, 2019 the following share purchase warrants were outstanding and exercisable:

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>	<b>Fair Value \$</b>
March 29, 2020	96,000	0.20	-
March 29, 2020	13,445,000	0.20	-
November 24, 2020	32,259,143	0.10	-
November 24, 2020	1,663,390	0.07	76,078
August 10, 2021	23,425,000	0.20	-
August 10, 2021	942,500	0.10	83,848
December 11, 2021	25,000,000	0.20	-
December 11, 2021	962,400	0.10	98,881
	97,793,433	0.16	

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The fair value of 1,904,900 warrants granted during the year ended December 31, 2018 had an estimated value of \$182,729 on the date of the grant. The value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	0.00%
Stock price volatility	103.4%
Risk-free interest rate	2.08%
Expected life of warrants	3 Years

**8. RELATED PARTY TRANSACTIONS**

The Company has determined that key management consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. The Company paid or accrued the following amounts to key management, and private corporations owned by them:

	June 30,	
	2019	2018
	\$	\$
Fees charged to management fees	529,000	150,500
Fees charged to professional and other expenses	50,840	-
Fees charged to exploration and evaluation assets	50,000	-
Fees changed to prepaid expenses	100,000	-
Share-based payments	-	167,727
	729,840	318,227

During the six months ended June 30, 2019, legal fees in the amount of \$26,992 (2018 – 53,357) were paid or payable to a law firm whose partner is an officer of the Company and are included in professional fees totaling \$73,744.

Included in accounts payable and accrued liabilities at June 30, 2019 was \$232,560 (2018 – Nil) owing for services to directors, and officers, companies owned by directors and officers, and a law firm whose partner is a director and an officer of the Company.

The Company agreed to prepay the 2019 salary of one of its Co-CEO's. The prepaid amount was treated as a prepaid expense and it is being expensed as services are provided. The remaining prepaid balance at June 30, 2019 amounts to \$100,000.

During the six months ended June 30, 2019 the Company paid office rent to ThreeD Capital Inc., a company of which one of the Company's co-CEO's is the CEO, an amount of \$36,000 (2018 - \$18,000).

During the six months ended June 30, 2019 the Company received loans from a director totaling \$80,000 which amounts are non-interest bearing and payable on demand.

**9. CAPITAL MANAGEMENT**

The Company's objective when managing capital, defined as all components of equity, is to safeguard its ability to continue as a going concern, and to pursue the exploration and evaluation of its properties. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets and seeks to retain sufficient equity to ensure that cash flows from assets will be sufficient to meet future cash flow requirements. In order to

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maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital. The Company's capital management objectives, policies and processes have remained unchanged since December 31, 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The fair value of cash is measured on level 1 of the fair value hierarchy. The carrying amounts for amounts receivable, and accounts payable and accrued liabilities approximate their estimated fair value due to the short-term nature of these financial instruments.

Amounts receivable is classified as amortized cost and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly during the year.

### **Credit Risk**

The Company's credit risk is primarily attributable to amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instrument included in amounts receivable is remote.

### **Liquidity Risk**

As at June 30, 2019, the Company had current assets of \$913,055 (December 31, 2018 \$2,500,166) to settle current liabilities of \$570,362 (December 31, 2018 \$293,280). The Company's financial liabilities generally have contractual maturities that are subject to normal trade terms.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment grade short term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

### **Market Risk**

#### **Foreign Currency Risk**

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

### **Price Risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

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Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- (i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
- (ii) The Company holds balances in foreign currencies that give rise to exposure to foreign exchange risk, however at any point in time the balances are not significant. The Company estimates that a 10% increase or decrease in the foreign currency would give rise to a gain or loss of approximately \$20,000 respectively.

**11. COMMITMENTS AND CONTINGENCIES**

The Company's exploration and evaluation activities are subject to government laws and regulations, including tax laws, and laws and regulations governing the protection of the environment. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for any identified obligations, based on management's estimate at the time. Such estimates are, however, subject to changes in laws and regulations.

The Company has indemnified the subscribers of flow-through share offerings pursuant to subscription agreements with investors for amounts that may become payable by the shareholder as a result of the Company not having met its expenditure commitments on qualified items.

The Company has consulting agreements with each of its co-CEO's providing for a monthly retainer of \$16,667 each. The agreements:

- a) Are terminable by the Company on six months' notice.
- b) Contain a change of control clause providing that, in the event of a change in control, a lump sum payment equivalent to 24 months retainer fees will be paid.

The Company has a consulting agreement with its CFO providing for a monthly retainer of \$4,000. The agreement is terminable by either party on one month's notice.