PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2019

(unaudited)

EXPRESSED IN CANADIAN DOLLARS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Pancontinental Resources Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, RSM Canada LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at		**June 30 2019**		December 31 2018
		(unaudited)		*(audited)*
ASSETS				
Current				
Cash	**$**	**524,539**	$	1,725,980
Royalty revenue receivable (note 13)		**-**		8,086
Sales tax receivable		**18,819**		24,487
Prepaid expenses		**39,927**		63,872
		583,285		1,822,425
Investment in Tortuga Resources (note 6)		**1**		1
	$	**583,286**	$	1,822,426
LIABILITIES				
Current				
Accounts payable and accrued liabilities (notes 7, 14)	**$**	**129,986**	$	199,735
Loans from related parties (note 14)		**122,560**		129,610
Flow-through share premium (notes 8, 9)		**-**		460,005
		252,546		789,350
EQUITY				
Share capital (note 9)		**19,809,376**		19,790,126
Contributed surplus		**4,379,938**		4,212,477
Warrants (note 10)		**751,154**		751,154
Deficit		**(24,609,728)**		(23,720,681)
		330,740		1,033,076
	$	**583,286**	$	1,822,426

Nature of operations and going concern (note 1)

Subsequent events (note 17)

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Expenses				
Corporate and administrative (notes 11, 14)	**$ 132,008**	$ 173,569	**$ 297,747**	$ 248,696
Exploration and evaluation (notes 12,14)	**249,823**	532,415	**877,760**	600,851
Share-based payments (notes 9,14)	**1,104**	164,455	**167,461**	218,068
Flow-through share premium (note 8)	**-**	-	**(460,005)**	-
Foreign exchange loss (gain)	**5,861**	1,267	**6,084**	5,204
	388,796	871,706	**889,047**	1,072,819
Net loss and comprehensive loss	**$ (388,796)**	$ (871,706)	**$ (889,047)**	$ (1,072,819)
Basic and diluted loss per share (note 15)	**$ (0.002)**	$ (0.006)	**$ (0.005)**	$ (0.009)
Weighted average number of common shares outstanding: Basic and diluted	**164,768,850**	139,500,200	**164,500,561**	121,573,205

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2017	$ 17,201,243	$ 3,481,833	$ 593,734	$ (21,646,398)	$ (369,588)
Units issued by private placements (notes 9,10)	736,817	-	263,683	-	1,000,500
Flow-through share private placement (notes 9,10)	975,990	-	-	-	975,990
Flow-through share premium (note 8)	(81,332)	-	-	-	(81,332)
Shares issued for mineral properties (note 9)	39,500	-	-	-	39,500
Shares issued for debt (note 9)	78,820	-	-	-	78,820
Share issuance costs	(21,603)	-	-	-	(21,603)
Warrants expired	-	503,224	(503,224)	-	-
Share-based payments (note 9)	-	218,068	-	-	218,068
Net loss for the period	-	-	-	(1,072,819)	(1,072,819)
Balance, June 30, 2018	18,929,435	4,203,125	354,193	(22,719,217)	767,536
Units issued by private placements (notes 9,10)	555,391	-	185,659	-	741,050
Flow-through share private placement (notes 9,10)	748,698	-	211,302	-	960,000
Flow-through share premium (note 8)	(378,673)	-	-	-	(378,673)
Shares issued for mineral properties (note 9)	3,500	-	-	-	3,500
Share issuance costs	(68,225)	-	-	-	(68,225)
Share-based payments (note 9)	-	9,352	-	-	9,352
Net loss for the period	-	-	-	(1,001,464)	(1,001,464)
Balance, December 31, 2018	19,790,126	4,212,477	751,154	(23,720,681)	1,033,076
Shares issued for mineral properties (note 9)	19,250	-	-	-	19,250
Share-based payments (note 9)	-	167,461	-	-	167,461
Net loss for the period	-	-	-	(889,047)	(889,047)
Balance, June 30, 2019	**$ 19,809,376**	**$ 4,379,938**	**$ 751,154**	**$ (24,609,728)**	**$ 330,740**

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Operating activities				
Loss for the period	**$ (388,796)**	$ (871,706)	**$ (889,047)**	$ (1,072,819)
Adjustments to reconcile loss to net cash used:				
Share-based payments	**1,104**	164,455	**167,461**	218,068
Shares issued for mineral properties	**15,250**	27,500	**19,250**	39,500
Flow-through share premium	**-**		**(460,005)**	-
Unrealized foreign exchange	**(1,267)**	(24,564)	**(4,947)**	(18,478)
	(373,709)	(704,315)	**(1,167,288)**	(833,729)
Net changes in non-cash working capital items				
Royalty revenue receivable	**-**	-	**8,086**	22,451
Sales tax receivable	**66,414**	(47,287)	**5,668**	(50,142)
Prepaid expenses	**(14,767)**	(91,040)	**24,356**	(108,850)
Accounts payable and accrued liabilities	**(41,697)**	(92,680)	**(77,195)**	(31,249)
	(363,759)	(935,322)	**(1,206,373)**	(1,001,519)
Financing activities				
Related party loan advances (note 14)	**-**	-	**-**	12,940
Related party loan repayments (note 14)	**-**	(48,750)	**(6,750)**	(48,750)
Units issued by private placement	**-**	1,000,500	**-**	1,000,500
Flow-through share private placements	**-**	975,990	**-**	975,990
Share issuance costs	**-**	(21,603)	**-**	(21,603)
	-	1,906,137	**(6,750)**	1,919,077
Net change in cash	**(363,759)**	970,815	**(1,213,123)**	917,558
Cash, beginning of period	**878,468**	8,440	**1,725,980**	61,180
Effect of exchange rate changes on cash	**9,830**	107	**11,682**	624
Cash, end of period	**$ 524,539**	$ 979,362	**$ 524,539**	$ 979,362
Supplemental disclosure				
Shares issued for debt	**$ -**	$ 78,820	**$ -**	$ 78,820

See accompanying notes.

1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Resources Corporation (the "Company"), is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties. The address of the Company's registered office is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

As at June 30, 2019, the Company had working capital of $330,739 (December 31, 2018 - $1,033,075), incurred losses for the current six month period of $889,047 (2018 - $1,072,819), and, had an accumulated deficit of $24,609,728 (December 31, 2018 - $23,720,681). To enhance its working capital, on August 26, 2019, the Company announced that it intends to complete a private placement for gross proceeds of up to $500,000, as further described in Note 17.

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, of the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation ("Palmetto"), a United States company; and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss.

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

These consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Company’s and Palmetto’s functional currency.

These consolidated financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company’s audited 2018 annual consolidated financial statements. These interim financial statements are not necessarily indicative of the results that may be anticipated for the entire year.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements, in conformity with IFRS, requires the Company’s management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company’s assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Significant estimates relate to:

- measurement of share-based payments and warrant valuation;
- measurement of shares issued to acquire mineral properties and settle debt;
- measurement of flow-through share premiums;
- impairment of investments;
- recognition of deferred tax assets and liabilities; and,
- establishment of provisions.

Significant judgements relate to:

- ability to continue as a going concern;
- functional currency of the Company and its subsidiary;
- choice of accounting policy for exploration and evaluation; and,
- recognition and evaluation of leases.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company’s accounting policies, as described in Note 4, Significant Accounting Policies, of the Company’s audited annual consolidated financial statements for the year ended December 31, 2018, have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise noted. Effective January 1, 2019 the Company adopted the following accounting policies:

IFRS 2 - Share-Based Payments

In June 2016, the IASB issued an amendment to IFRS 2 addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. The adoption of IFRS 2 had no impact on the Company’s consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – Leases

This standard requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. Upon adoption, the Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short-term leases. The lease payments associated with these leases are charged directly to profit or loss. The adoption of IFRS 16 had no impact on the Company's consolidated financial statements.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company includes the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Right-of use assets would be are depreciated in accordance with the Company's accounting policy property, plant and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholder equity. In order to maintain its capital structure the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not established quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the six month period ended June 30, 2019. The Company is not subject to any externally imposed capital requirements.

6. INVESTMENT IN TORTUGA RESOURCES INC.

In 2014, the Company acquired 666,667 common shares of Tortuga Resources Inc. for USD $200,000. Tortuga is a private company engaged in the acquisition, exploration and development of oil and gas properties in the United States. The price paid for the common shares represented the fair value at the time of acquisition. The fair value of the investment will be impacted by fluctuations in the United States dollar, investee corporate transactions and other factors, such as, industry developments and government regulations. This financial instrument is classified as FVTPL. An impairment loss was recognized in 2015, resulting in a nominal value of $1 being assigned, as management lowered its outlook for recovering the investment.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30 2019		December 31 2018
Suppliers	**$**	**99,312**	$	189,236
Related parties (note 14)		**30,674**		10,499
	$	**129,986**	$	199,735

8. FLOW-THROUGH SHARE PREMIUM

Balance, December 31, 2017	$	-
Liability incurred on flow-through shares issued (i)		374,130
Liability incurred on flow-through shares issued (ii)		85,875
Balance, December 31, 2018		460,005
Settlement of liability through renouncement (i)		(374,130)
Settlement of liability through renouncement (ii)		(85,875)
Balance, June 30, 2019	**$**	**-**

(i) On April 4, 2018, the Company completed a flow-through private placement consisting of 16,266,500 common shares at a price of $0.06 per share for gross proceeds of $975,990. During the three month period ended March 31, 2019, the Company completed the expenditure of these funds.

(ii) On December 19, 2018, the Company completed the first tranche of a flow-through private placement, which consisted of 10,125,000 units at $0.08 per unit for gross proceeds of $810,000. On December 28, 2018, the Company completed the second tranche of the flow-through private placement, which consisted of 1,875,000 units at $0.08 per unit for gross proceeds of $150,000. As at June 30, 2019, the Company expended $560,362 of the $960,000 of gross proceeds received in December 2018.

The flow-through premium is derecognized upon the Company filing its renunciation forms with the Canadian government.

9. CAPITAL STOCK

Authorized
Unlimited common shares
Unlimited preferred shares

Issued

	Number	Amount
Balance, December 31, 2017	103,340,354	$ 17,201,243
Shares issued for mineral properties (i)	850,000	43,000
Shares issued as debt settlement (ii)	1,126,000	78,820
Shares issued by private placement (iii), (iv)	58,862,936	3,677,540
Flow-through share premium (iii), (iv)	-	(460,005)
Fair value attributed to warrants (iii), (iv)	-	(660,644)
Share issuance costs (iii), (iv)	-	(89,828)
Balance, December 31, 2018	164,179,290	$ 19,790,126
Shares issued for mineral properties (v)	650,000	19,250
Balance, June 30, 2019	**164,829,290**	**$ 19,809,376**

(i) On February 28, 2018, the Company issued 300,000 common shares at $0.04 per share in accordance with the option agreement for the Montcalm and Nova Projects (Note 12).

On May 8, 2018, the Company issued 500,000 common shares at $0.055 per share in accordance with the option agreement for the McBride Project (Note 12).

On November 12, 2018, the Company issued 50,000 common shares at $0.07 per share in accordance with a Memorandum of Understanding made with the Flying Post First Nation for land access rights for the Montcalm, Nova and Gambler Projects (Note 12).

(ii) On May 23, 2018, the Company issued 1,126,000 common shares at $0.07 per share in settlement of trade payables of $78,820. A Company officer/director was issued 500,000 shares to settle $35,000 of management fees.

(iii) On April 4, 2018, the Company closed a private placement consisting of: 20,010,000 units at $0.05 per unit for gross proceeds of $1,000,500; and, 16,266,500 flow-through shares at $0.06 per share for gross proceeds of $975,990. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.08 for a period of eighteen (18) months, expiring on October 4, 2019. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.15, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on August 5, 2018. The fair value of the warrants was estimated at $263,683 using the relative fair value method. Cash commissions paid were $4,620.

(iv) On December 19, 2018, the Company closed a private placement consisting of: 10,526,436 units at $0.07 per unit for gross proceeds of $736,850; and, 10,125,000 flow-through units at $0.08 per share for gross proceeds of $810,000. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each

CAPITAL STOCK (continued)

whole warrant entitles the holder to acquire an additional common share at a price of $0.12 for a period of eighteen (18) months, expiring on June 19, 2020. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.20, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on April 20, 2019. The fair value of the warrants was estimated at $362,118 using the relative fair value method.

On December 28, 2018, the Company closed a private placement consisting of: 60,000 units at $0.07 per unit for gross proceeds of $4,200; and, 1,875,000 flow-through units at $0.08 per share for gross proceeds of $150,000. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.12 for a period of eighteen (18) months, expiring on June 28, 2020. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.20, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on April 29, 2019. The fair value of the warrants was estimated at $34,843 using the relative fair value method.

Cash commissions paid in relation to these private placements were $52,200.

(v) On February 15, 2019, the Company issued 100,000 common shares at $0.04 per share in accordance with the option agreement for the Strachan Project (Note 12).

On April 1, 2019, the Company issued 300,000 common shares at $0.03 per share in accordance with the option agreement for the Montcalm and Nova Projects (Note 12).

On April 23, 2019, the Company issued 250,000 common shares at $0.025 per share in accordance with the option agreement for the St. Laurent Project (Note 12).

Stock Options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

Stock option transactions and the number of stock options outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2017	8,250,000	$0.10
Granted (i)	3,900,000	0.06
Expired/Cancelled	(750,000)	0.11
Balance, December 31, 2018	11,400,000	$0.09
Granted (ii)	1,100,000	0.08
Expired/Cancelled	(1,900,000)	0.05
Balance, June 30, 2019	**10,600,000**	**$0.10**

CAPITAL STOCK (continued)

(i) On January 10, 2018, the Company granted 1,200,000 stock options to a director/officer and a consultant. These options vested immediately and were issued with an exercise price of $0.05 and have a five year term, expiring on January 10, 2023.

On May 1, 2018, the Company granted 2,550,000 stock options to directors, officers, an employee and a consultant. These options vested immediately and were issued with an exercise price of $0.07 and have a five year term, expiring on May 1, 2023.

On July 3, 2018, the Company granted 100,000 stock options to an investor relations consultant. These options: vest in instalments of 25,000 options per quarter; were issued with an exercise price of $0.08; and, have a five year term, expiring on July 3, 2023.

On October 1, 2018, the Company granted 50,000 stock options to the Flying Post First Nations ("FPFN"). These options vested immediately and were issued with an exercise price of $0.06 and have a five year term, expiring on October 1, 2023 (Note 12).

(ii) On January 18, 2019, the Company granted 1,050,000 stock options to directors, officers and consultants which vested immediately. In addition, the Company granted 50,000 stock options to an investor relations consultant which vest in instalments of 12,500 options per quarter. All of these options were issued with an exercise price of $0.08 and have a five year term, expiring on January 18, 2024.

Fair value of the options issued were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2019	2018
Dividend yield	Nil	Nil
Expected volatility (based on historical prices)	240%	238%
Risk-free rate of return	1.96%	1.88%
Expected life	5 Years	5 Years
Share price	$0.04	$0.06

Share-based payment expense recognized for the options vested in 2019 was $167,461 and $227,420 for the options vested in 2018. The offsetting credit was charged to contributed surplus.

The consultants' and FPFN options were measured using the Black-Scholes option pricing model due to the absence of a reliable measurement of the services granted.

CAPITAL STOCK (continued)

The following summarizes information on the outstanding stock options:

Expiry Date	Number	Exercise price	Exercisable	Average remaining contractual life (years)
September 21, 2021	4,300,000	$0.12	4,300,000	2.22
November 1, 2021	800,000	0.12	800,000	2.34
January 6, 2022	100,000	0.12	100,000	2.52
March 16, 2022	400,000	0.12	400,000	2.71
January 10, 2023	1,200,000	0.05	1,200,000	3.53
May 1, 2023	2,550,000	0.07	2,550,000	3.83
July 3, 2023	100,000	0.08	75,000	4.01
October 1, 2023	50,000	0.06	50,000	4.25
January 18, 2024	1,100,000	0.08	1,062,500	4.55
	10,600,000	$0.10	10,537,500	3.05

10. WARRANTS

	Number	Weighted average exercise price
Balance, December 31, 2017	16,556,250	$0.11
Issued	21,298,218	0.10
Expired	(12,726,250)	0.12
Balance, December 31, 2018 and June 30, 2019	**25,128,218**	**$0.10**

The relative fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018
Dividend yield	Nil
Expected volatility (based on historical trends)	192%
Risk free rate of return	1.81%
Expected life	1.5 years
Share price	$0.055

WARRANTS (continued)

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Exercise price	Weighted average remaining life (years)		Relative fair value
October 4, 2019	10,005,000	$0.08	0.26	$	263,683
December 5, 2019	3,000,000	0.07	0.43		70,949
December 15, 2019	830,000	0.07	0.46		19,561
June 19, 2020	10,325,718	0.12	0.97		362,118
June 28, 2020	967,500	0.12	0.99		34,843
	25,128,218	$0.10	0.61	$	751,154

11. CORPORATE AND ADMINISTRATIVE

		Three months ended June 30				**Six months ended June 30**		
		2019		2018		**2019**		2018
Consulting	**$**	**8,641**	$	-	**$**	**13,150**	$	-
Filing and transfer agent fees		**17,909**		16,267		**22,562**		19,801
Insurance		**4,270**		3,804		**8,379**		9,830
Management fees (notes 14)		**60,300**		55,857		**121,200**		82,550
Office and general		**2,538**		4,967		**5,159**		7,197
Professional fees		**10,997**		29,354		**23,364**		46,741
Rent (note 14)		**503**		5,373		**3,000**		7,632
Salaries and benefits		**-**		6,307		**-**		11,407
Shareholder relations and promotion		**22,387**		45,389		**90,679**		51,672
Travel		**4,463**		6,251		**10,254**		11,866
	$	**132,008**	$	173,569	**$**	**297,747**	$	248,696

12. EXPLORATION AND EVALUATION

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Acquisition costs (note 9)	**$ 15,250**	$ 191,000	**$ 79,250**	$ 217,000
Property costs	**161,677**	77,360	**166,673**	116,069
Assaying	**-**	-	**18,523**	-
Community relations	**-**	-	**1,875**	-
Consulting/Contracting	**58,084**	74,957	**141,810**	74,957
Drilling	**-**	18,005	**389,250**	18,005
Equipment and supplies	**2,507**	10,745	**18,469**	10,745
Geophysics/Surveys	**1,171**	98,999	**36,743**	98,999
Reports	**-**	144	**-**	144
Site costs	**6,285**	11,084	**17,525**	14,230
Travel/Transportation	**4,849**	6,064	**7,642**	6,064
Wages and benefits	**-**	44,057	**-**	44,638
	$ 249,823	$ 532,415	**$ 877,760**	$ 600,851

Montcalm and Nova Projects – Ontario, Canada

Montcalm and Nova are exploration-stage nickel-copper-cobalt prospective projects located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Montcalm encompasses an area of 3,780 hectares and Nova encompasses an area of 2,080 hectares. The Montcalm and Nova properties are subject to an option agreement as described below.

Option Agreement

On January 5, 2018, the Company entered into an option agreement (the "Option Agreement"), amended on February 20, 2018, with 2522962 Ontario Inc., which was subsequently acquired by Pelangio Exploration Inc. (the "Optionor"). Pursuant to the Option Agreement the Company obtained the right (the "Option") to acquire a 100% interest in the Montcalm and Nova properties. In order to exercise the Option, the Company shall:

(i) Pay the Optionor an aggregate of $140,000 as follows:
- $35,000 on or before June 28, 2018 (paid);
- $35,000 on or before February 28, 2019 (paid);
- $35,000 on or before February 28, 2020;
- $35,000 on or before February 28, 2021.

(ii) Issue to the Optionor an aggregate of 1,200,000 common shares of the Company as follows:
- 300,000 common shares on or before February 28, 2018 (issued);
- 300,000 common shares on or before February 28, 2019 (issued April 1, 2019);
- 300,000 common shares on or before February 28, 2020;
- 300,000 common shares on or before February 28, 2021.

EXPLORATION AND EVALUATION (continued)

A net smelter return royalty of 2.5% (the" NSR") is payable to the Optionor from all minerals sold from the Montcalm and Nova properties. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for $1,000,000. The Company is required to keep the Montcalm and Nova properties in good standing during the term of the Option Agreement.

	Three months ended June 30		Six months ended June 30	
Montcalm	**2019**	2018	**2019**	2018
Acquisition costs (note 9)	**$ 7,200**	$ 21,000	**$ 35,200**	$ 47,000
Property costs	**-**	17,950	**9,344**	17,950
Assaying	**-**	-	**18,523**	-
Consulting/Contracting	**6,300**	10,800	**89,676**	10,800
Drilling	**-**	-	**389,250**	-
Equipment and supplies	**(72)**	-	**15,890**	-
Geophysics/Surveys	**163**	78,999	**34,763**	78,999
Reports	**-**	144	**-**	144
Site costs	**135**	-	**9,833**	-
Travel/Transportation	**1,365**	179	**4,158**	179
	15,091	129,072	**606,637**	155,072
Nova				
Acquisition costs (note 9)	**1,800**	-	**8,800**	-
Consulting/Contracting	**-**	-	**350**	-
Geophysics/Surveys	**-**	-	**432**	-
	1,800	-	**9,582**	-
Total	**$ 16,891**	$ 129,072	**$ 616,219**	$ 155,072

Gambler Project – Ontario, Canada

Gambler is an exploration-stage nickel-copper-cobalt prospective project located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Gambler is adjacent to the Montcalm Project and encompasses an area of 6,980 hectares. The Gambler property was staked by the Company in 2018.

	Three months ended June 30		Six months ended June 30	
Gambler	**2019**	2018	**2019**	2018
Consulting/Contracting	**$ 2,550**	$ -	**$ 2,550**	$ -

EXPLORATION AND EVALUATION (continued)

First Nations – Montcalm, Nova and Gambler Projects
On October 1, 2018, the Company entered into a Memorandum of Understanding ("MOU") with the Flying Post First Nation ("FPFN") that provides a framework for co-operation between the Company and FPFN with respect to aboriginal and treaty rights at the Company's Montcalm, Nova and Gambler Projects. The MOU establishes the prioritization of business, employment and training opportunities for FPFN members. The Company is to compensate FPFN for the impact of all on-the-ground exploration work by paying FPFN 2% of such costs, beginning from the date of the MOU. Pursuant to the terms of the MOU, the Company issued 50,000 common shares and granted 50,000 stock options to FPFN in 2018.

Strachan Project – Ontario, Canada
Strachan is an exploration stage nickel-copper-cobalt project within the Montcalm greenstone belt and is located approximately 65 kilometres northwest of Timmins, Ontario. Strachan encompasses an area of approximately 2,280 hectares.

<u>Letter of Intent</u>
On January 17, 2019, the Company entered into a binding letter of intent with Pelangio Exploration Inc. (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire up to a 75% interest in the Strachan property. The Option may be exercised in two option stages as follows:

(i) First Option - to earn an initial 60% interest the Company shall:
- Pay the Optionor an aggregate of $40,000 as follows:
  - $10,000 by February 1, 2019 (paid);
  - $10,000 by February 12, 2020;
  - $10,000 by February 12, 2021;
  - $10,000 by February 12, 2022.
- Issue to the Optionor an aggregate of 400,000 common shares of the Company as follows:
  - 100,000 common shares by February 12, 2019 (issued);
  - 100,000 common shares by February 12, 2020;
  - 100,000 common shares by February 12, 2021;
  - 100,000 common shares by February 12, 2022.
- Incur a total of $250,000 in exploration expenditures as follows:
  - $50,000 by February 12, 2020;
  - $100,000 by February 12, 2021;
  - $100,000 by February 12, 2022.

(ii) Second Option – to earn an additional 15% interest the Company shall incur an additional $500,000 in exploration expenditures over a three year period as follows:
- $100,000 to be incurred within 12 months of exercising the second option;
- an additional $200,000 to be incurred within 24 months of exercising the second option; and,
- an additional $200,000 to be incurred within 36 months of exercising the second option.

The Company will act as the operator during the first and second option periods. Following the exercise of the second option a joint venture will be formed between the parties. A joint venture will also be formed in the event the Company has elected to only exercise the first option.

EXPLORATION AND EVALUATION (continued)

Strachan		Three months ended June 30 2019		2018		Six months ended June 30 2019		2018
Acquisition costs (note 9)	**$**	**-**	$	-	**$**	**14,000**	$	-

St. Laurent Project
St. Laurent in an exploration stage nickel-copper-cobalt-gold-platinum-palladium project and is located in St. Laurent township, approximately 160 kilometres northeast of Timmins, Ontario. The St. Laurent Project encompasses an area of approximately 4,170 hectares.

Option Agreement
On March 25, 2019, the Company entered into an option agreement with 2681891 Ontario Inc. (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire up to a 100% interest in the St. Laurent property. The Option may be exercised upon completing the following:

(i) Pay the Optionor an aggregate of $145,000 as follows:
- $15,000 on or before April 17, 2019 (paid);
- $20,000 on or before April 17, 2020;
- $50,000 on or before April 17, 2021;
- $60,000 on or before April 17, 2022.

(ii) Issue to the Optionor an aggregate of 1,850,000 common shares of the Company as follows:
- 250,000 common shares within 5 days of April 17, 2019 (issued);
- 350,000 common shares on or before April 17, 2020;
- 500,000 common shares on or before April 17, 2021;
- 750,000 common shares on or before April 17, 2022.

A net smelter return royalty of 2.5% (the" NSR") is payable to the Optionor from all minerals sold from the property. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for $1,000,000. The Company will act as operator and is required to keep the property in good standing during the term of the Option Agreement.

St. Laurent		Three months ended June 30 2019		2018		Six months ended June 30 2019		2018
Acquisition costs (note 9)	**$**	**6,250**	$	-	**$**	**21,250**	$	-
Consulting/Contracting		**34,300**		-		**34,300**		-
Equipment and supplies		**2,579**		-		**2,579**		-
Geophysics/Surveys		**1,008**		-		**1,548**		-
Site costs		**4,500**		-		**4,500**		-
	$	**48,637**	$	-	**$**	**64,177**	$	-

EXPLORATION AND EVALUATION (continued)

Jefferson Project – South Carolina, United States

The Jefferson Project is located in Chesterfield County, South Carolina, United States and at June 30, 2019 consisted of seven exploration-stage gold prospective property leases owned by private landowners, encompassing approximately 1,107 acres. During the six month period ended June 30, 2019, the Company acquired four new leases and relinquished four older leases. The Company also acquired five additional leases subsequent to June 30, 2019 (Note 17) expanding the Jefferson Project to twelve property leases encompassing approximately 1,603 acres. Total annual payments to maintain all property leases for 2019 is now US $171,290, which includes US $57,000 of advance royalty payments (“ARP”).

The Company has the right to acquire a 100% interest in eleven of these property leases and holds a right of first refusal to acquire a 100% interest in the remaining lease. The leases range in expiration from 2021 to 2031. The Company reserves the right to relinquish a lease at any time without penalty. Six of the leases include a production royalty ranging from 1.5% to 3.5% (the “Royalty”), which is payable to the landowner that owns the property from which minerals are produced. ARPs are non-refundable and will be credited towards the Royalty payable from production.

	Three months ended June 30		Six months ended June 30	
Jefferson	**2019**	2018	**2019**	2018
Acquisition costs	**$ -**	$ -	**$ -**	$ -
Property costs	**161,677**	54,512	**157,329**	93,221
Consulting/Contracting	**14,934**	-	**14,934**	-
Site costs	**1,650**	2,153	**3,192**	5,299
Travel/Transportation	**3,484**	-	**3,484**	-
Wages and benefits	**-**	692	**-**	1,273
	$ 181,745	$ 57,357	**$ 178,939**	$ 99,793

McBride Project – Ontario, Canada

The McBride Project is an exploration-staged nickel-copper-cobalt project located in Limerick Township, approximately 25 kilometres south of Bancroft, Ontario. The McBride Project encompassed a total of 880 hectares and is comprised of the North Zone deposit, the South Zone deposit and the South Extension prospect.

Option Agreement

On April 25, 2018, the Company entered into an option agreement (the “Option Agreement) with Hastings Highlands Resources Limited (the “Optionor”), whereby the Company obtained the right (the “Option”) to acquire up to a 76% interest in the McBride Project, by completing the three stages of the Option. In March 2019, the Company terminated the Option Agreement and did not earn an interest in the McBride Project.

EXPLORATION AND EVALUATION (continued)

McBride	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Acquisition costs	$ -	$ 170,000	$ -	$ 170,000
Property costs	-	4,898	-	4,898
Community relations	-	-	1,875	-
Consulting/Contracting	-	64,157	-	64,157
Drilling	-	18,005	-	18,005
Equipment and supplies	-	10,745	-	10,745
Geophysics/Surveys	-	20,000	-	20,000
Site costs	-	8,931	-	8,931
Travel/Transportation	-	5,885	-	5,885
Wages and benefits	-	43,365	-	43,365
	$ -	$ 345,986	$ 1,875	$ 345,986

13. GROSS OVERRIDING ROYALTY

On February 8, 2007, the Company formed a joint venture (the "Joint Venture") with Crossland Strategic Metals Limited ("Crossland") and subsequently earned a 50% interest in a number of Australian properties prospective for rare earth elements ("REE") and uranium. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest in the Joint Venture to Essential Mining Resources Pty Ltd. ("EMR") and retained a gross overriding royalty ("GOR") of one percent (1%) on sales of production from 100% of the properties ("JV Properties") held by the Joint Venture at the Effective Date. In 2017 a merger between Crossland and EMR ("Crossland") was completed.

On each anniversary of the Effective Date, Crossland is obligated to pay to the Company an advance royalty of AUD $8,423. In 2018 the advance royalty was reduced by AUD 21,198 to reflect reductions in the size of the JV Properties. The advance royalty payments: are non-refundable; may be adjusted for future reductions in the size of the JV Properties; and, are to be deducted from the 1% GOR payable to the Company upon the JV Properties being placed into production.

14. RELATED PARTY TRANSACTIONS AND BALANCES

A summary of the compensation of key management (directors/officers) of the Company is included in the table below. Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Management fees (i)	$ 60,300	$ 55,857	$ 121,200	$ 99,627
Rent (ii)	-	3,873	-	3,873
Share-based payments (iii)	-	148,332	133,130	184,074
	$ 60,300	$ 208,062	$ 254,330	$ 287,574

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) Management fees were paid or became payable to a Company officer and to a company associated with a Company officer.

(ii) Rent was paid or became payable to a Company officer.

(iii) Share-based compensation represents the fair value of stock options granted to Company directors and officers.

In addition to the management compensation above, the Company had the following related party transactions:

During the 2018 comparative period, the Company settled unpaid 2017 management fees owing to a former officer of the Company, which resulted in a recovery of $17,077 and paid rent of $759 to a company controlled by the former officer.

Loans from related parties balance of $122,560 (December 31, 2018 - $129,610) consist of cash loans provided by Company directors/officers or entities controlled by or associated with directors/officers. These loans are non-interest bearing, unsecured and due on demand. The Company received cash loans of $nil (2018 - $12,940) and repaid cash loans of $6,750 (2018 - $48,750) during the six month period.

Pelangio Exploration Inc. (“Pelangio”) is party to the Option Agreement for the Montcalm and Nova Projects and the Letter of Intent for the Strachan Project. Pursuant to the Option Agreement and the Letter of Intent, the Company paid cash and/or issued common shares to Pelangio totalling $9,000 (2018 - $nil) for the current three month period and $58,000 (2018 - $nil) for the six month period. Pelangio is a related party by virtue of a common director and became a related party in December 2018 through Pelangio’s acquisition of 2522962 Ontario Inc.

Included in accounts payable and accrued liabilities is $30,674 (December 31, 2018 - $10,499) payable to directors/officers or entities controlled by or associated with directors/officers.

15. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The three levels of the hierarchy are:

- Level one - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - includes inputs that are observable, either directly (prices) or indirectly (derived from prices), other than from quoted prices included in level one; and,
- Level three - includes inputs that are not based on observable data.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying value of the royalty revenue receivable, accounts payable and accrued liabilities and loans from related parties approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Cash is measured at fair value using Level one inputs.

Classification of Financial Instruments	
Financial assets	
Cash	Amortized cost
Royalty revenue receivable	Amortized cost
Investment in Tortuga Resources Inc.	Fair value through profit and loss
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans from related parties	Amortized cost

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The primary risks the Company's financial instruments are exposed to are described below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash and the royalty revenue receivable. The Company mitigates the risk to its cash by depositing a majority of its cash with Canadian and United States banks. Allowances for the royalty revenue receivable are recognized as necessary for potential credit losses.

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 manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand. As at June 30, 2019, the Company had cash of $524,539 to settle current liabilities of $252,546 and the balance of its flow-through expenditures of $399,638 (Note 8). The Company will need to raise additional capital to fund the remainder of its planned expenditures for 2019 and on August 26, 2019, the Company announced that it intends to complete a private placement for gross proceeds of up to $500,000, as further described in Note 17.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency Risk

The Company operates in Canada and the United States, thus exposing the Company to market risks from fluctuations in foreign exchange rates. The Company has certain corporate and administrative expenditures and future potential financial commitments (Note 12) denominated in United States dollars. The Company monitors foreign exchange rates and has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at June 30, 2019, the Company did not have significant exposure to foreign currency risk.

17. SUBSEQUENT EVENTS

(i) Subsequent to June 30, 2019, the Company acquired five Jefferson Project property leases encompassing approximately 496 acres.

(ii) On July 2, 2019, the Company granted 250,000 stock options to an investor relations consultant. These options: vest in installments of 62,500 options per quarter; were issued with an exercise price of $0.08; and, have a five year term, expiring on July 2, 2024.

(iii) On August 26, 2019, the Company announce that it intends to complete a private placement for up to 10,000,000 units at $0.05 per unit for gross proceeds of up to $500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of thirty-six months.