Cartier Resources Inc.

(an exploration company)

Financial statements

Second quarter ended June 30, 2019

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Financial Position

(In Canadian $)	**June 30, 2019 (Unaudited) $**	December 31, 2018 (Audited) $
Assets		
Current		
Cash and cash equivalents (note 3)	**5,083,064**	7,572,963
Other short-term financial assets (note 4)	**21,725**	27,650
Receivables (note 5)	**1,549,250**	1,100,817
Prepaid expenses	**53,349**	118,286
	6,707,388	8,819,716
Non-current		
Property, plant and equipment	**8,050**	8,002
Right-of-use assets (note 6)	**174,386**	-
Mining assets and deferred exploration costs (note 7)	**16,021,032**	14,417,166
TOTAL ASSETS	**22,910,856**	23,244,884
Liabilities		
Current		
Accounts payable and accrued liabilities	**132,399**	324,110
Current portion of lease obligations (note 8)	**51,580**	-
	183,979	324,110
Non-current		
Lease obligations (note 8)	**124,756**	-
Deferred income and mining taxes	**1,854,393**	1,756,974
TOTAL LIABILITIES	**2,163,128**	2,081,084
EQUITY		
Share capital (note 9)	**35,288,268**	35,288,268
Warrants	**94,014**	183,985
Contributed surplus	**2,793,964**	2,625,207
Deficit	**(17,443,330)**	(16,954,397)
Accumulated other comprehensive loss	**14,812**	20,737
TOTAL EQUITY	**20,747,728**	21,163,800
TOTAL LIABILITIES AND EQUITY	**22,910,856**	23,244,884

Basis of preparation and going concern (note 1)
Contingencies and commitments (note 14)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director   (Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of changes in equity
(Unaudited)

(In Canadian $)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total equity
		$	$	$	$	$	$
BALANCE AS AT DECEMBER 31, 2018	**177,104,747**	**35,288,268**	**183,985**	**2,625,207**	**(16,954,397)**	**20,737**	**21,163,800**
Net loss for the period	**-**	**-**	**-**	**-**	**(578,904)**	**-**	**(578,904)**
Change in fair value of other short-term financial assets	**-**	**-**	**-**	**-**	**-**	**(5,925)**	**(5,925)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**(578,904)**	**(5,925)**	**(584,829)**
Effect of share-based payments (note 9)	**-**	**-**	**-**	**168,757**	**-**	**-**	**168,757**
Expired warrants	**-**	**-**	**(89,971)**	**-**	**89,971**	**-**	**-**
BALANCE AS AT JUNE 30, 2019	**177,104,747**	**35,288,268**	**94,014**	**2,793,964**	**(17,443,330)**	**14,812**	**20,747,728**

BALANCE AS AT DECEMBER 31, 2017	176,904,747	35,255,308	2,445,849	2,178,980	(14,220,209)	24,687	25,684,615
Net loss for the period	-	-	-	-	205,356	-	205,356
Change in fair value of other short-term financial assets	-	-	-	-	-	(5,925)	(5,925)
Total comprehensive loss	-	-	-	-	205,356	(5,925)	199,431
Effect of share-based payments (note 9)	-	-	-	265,446	-	-	265,446
Issuance of warrants (note 9)	200,000	32,960	(6,960)		-	-	26,000
BALANCE AS AT JUNE 30, 2018	177,104,747	35,288,268	2,438,889	2,444,426	(14,014,853)	18,762	26,175,492

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of profit or loss and comprehensive Income or Loss (Unaudited)

(In Canadian $)

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Administrative expenses				
Salaries	**92,258**	93,349	**185,136**	184,625
Consultants	**698**	10,481	**2,948**	22,856
Share-based payments-employees (note 9)	**64,085**	132,870	**124,273**	220,102
Share-based payments-consultants (note 9)	**2,066**	1,178	**5,903**	6,281
Professional fees	**17,394**	19,584	**22,914**	25,469
Rent	**-**	2,429	**-**	4,935
Business development expenditures	**116,068**	168,758	**198,028**	292,679
Insurance, taxes and permits	**2,566**	2,521	**8,030**	7,220
Fiancial expenses (note 11)	**3,082**	4,978	**6,489**	10,477
Depreciation of right-of-use assets	**3,278**	-	**3,934**	-
Office supplies	**2,776**	2,437	**10,864**	11,179
Telecommunications	**2,170**	1,275	**4,537**	2,398
Training and travel	**8,350**	12,712	**22,146**	20,653
Advertising and sponsoring	**8,821**	12,224	**11,304**	19,684
Shareholder information	**17,648**	27,263	**31,300**	39,009
Part XII.6 tax related to flow-through shares	**-**	1,410	**-**	5,121
	341,260	493,469	**637,806**	872,688
Other expenses (income)				
Other exploration costs	**560**	625	**945**	738
Interest income	**(29,422)**	(40,861)	**(60,500)**	(81,087)
Loss before deferred income and mining taxes	**(312,398)**	(453,233)	**(578,251)**	(792,339)
Deferred income and mining taxes	**1,931**	(398,452)	**653**	(997,695)
Net loss for the period attributable to shareholders	**(314,329)**	(54,781)	**(578,904)**	205,356
Change in fair value of other short-term financial assets	**(8,888)**	(5,925)	**(5,925)**	(5,925)
Comprehensive loss for the period attributable to shareholde	**(323,217)**	(60,706)	**(584,829)**	199,431
Loss per share basic and diluted	**(0.00)**	(0.00)	**(0.00)**	0.00
Weighted average number of common shares outstanding basic and diluted	**177,104,747**	177,049,802	**177,104,747**	176,977,675

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

(Unaudited)

(In Canadian $)

	Six-month periods ended	
	June 30, 2019	June 30, 2018
	$	$
OPERATING ACTIVITIES		
Net Loss	**(578,904)**	205,356
Adjustments for:		
Deferred income and mining taxes	**653**	(997,695)
Share-based payments-employees (note 9 and 10)	**124,273**	220,102
Share-based payments-consultants (note 9)	**5,903**	6,281
Theoretical interests on lease obligations	**688**	-
Depreciation of right-of-use assets	**3,934**	
Interest income	**(60,500)**	(81,087)
Interest received	**52,180**	77,427
	(451,773)	(569,616)
Net change in non-cash working capital items		
Receivables	**120,143**	(63,167)
Prepaid expenses	**64,937**	(66,945)
Accounts payables and accrued liabilities	**(25,227)**	17,228
Cash flows used in operating activities	**(291,920)**	(682,500)
FINANCING ACTIVITIES		
Shares issue expenses	**-**	77
Exercise of warrants	**-**	26,000
Exercise of options	**-**	-
Payments on lease obligations	**(22,749)**	-
Cash flows (used in) from financing activities	**(22,749)**	26,077
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(1,613)**	-
Acquisition of mining assets and deferred exploration costs	**(2,173,617)**	(4,271,245)
Cash flows used in investing activities	**(2,175,230)**	(4,271,245)
Net change in cash and cash equivalents	**(2,489,899)**	(4,927,668)
Cash and cash equivalents at the beginning	**7,572,963**	15,706,671
Cash and cash equivalents at the end (note 3)	**5,083,064**	10,779,003

Additional information (note 12)

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

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec *Companies Act* on July 17, 2006, has been governed by the *Business Corporations Act* (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primaily include the acquisition and exploration of mining properties in Canada.

The Company has not yet determined whether these properties contain economically recoverable ore reserves. Although, at the current stage of the exploration work, the Company is taking all industry standard measures to ensure that the mining property titles in which it has a financial interest are in good standing, these measures in place do not guarantee property titles to the Company. Property titles may be subject to prior unregistered agreements or non-compliance with regulatory requirements.

The recoverability of amounts reported for mining properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production, or the proceeds of the transfer of such property. At the date of the financial statements, the carrying value of mining properties and deferred exploration expenses represents, in management's opinion, the best estimate of their net recoverable value. This value could however be reduced in the future.

On August 27, 2019, the Company's Board of Directors approved these interim condensed financial statements for the period ended June 30, 2019.

1. Basis of preparation and going concern

These interim financial statements were prepared on a going concern basis, using historical costs method, except for "Other short-term financial assets" which are measured at fair value.

The interim financial statements have been prepared on a going concern basis, meaning that the Company will be able to realized its assets and discharge its commitments and liabilities in the normal course of operations. The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in raising financing to date, there can be no assurance it will be able to do so in the future. The Company believes it has sufficient liquidity to meet its obligations for the next 12 months. The Company has not yet determined whether its properties contain economically recoverable ore reserves and has not yet generated revenues from operations. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

These interim condensed financial statements have been prepared by the Company's management in accordance with ("IFRS"), and in accordance with IAS 34, "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2018.

The preparation of interim condensed financial statements in accordance with IAS 34 requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies.

2. Changes to accounting policies

The interim condensed financial statements have been prepared in accordance with the accounting policies adopted in the Company's last annual financial statements for the year ended December 31, 2017, with the exception of the elements described in the paragraphs below. The accounting policies have been applied consistently throughout the Company for the purposes of preparing these interim financial statements.

New accounting standards and amendments adopted:

IFRS 16, Leases

Effective January 1, 2019, the Company early adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 6 years for facilities, automotive equipment, rent and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under IAS 17, the Company's accounting policy was as follows:

(In Canadian $)

2. Changes to accounting policies (continued)

The determination of whether an arrangement was, or contained, a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

A lease was classified at the inception date as an operating lease.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Company would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the Company early adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continues to be reported under IAS 17, Leases (“IAS 17”) and IFRIC 4, Determining whether an arrangement contains a lease.

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability of $195,412, other current assets and other assets as at January 1, 2019.

As such, as at January 1st, 2019, the Company recorded lease obligations of $195,412 and right-of-use assets of $195,412, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 5.21%.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1st, 2019.

The following table reconciles the Company’s operating lease commitments as at December 31, 2018, as previously disclosed in the Company’s annual audited financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019.

	$
Operating lease commitments as at December 31, 2018	**103,410**
Discounted using the incremental borrowing rate as at January 1, 2019	**98,444**
Renewal options reasonably certain to be exercised	**96,968**
Lease obligations recognized as at January 1, 2019	**195,412**

(In Canadian $)

3. Cash and cash equivalents

As at June 30, 2019 and December 31, 2018, the cash and the cash equivalents include an interest bearing account and a non interest bearing account, as follows:

	June 30, 2019		December 31, 2018	
		Interest rate		Interest rate
	$	(%)	$	(%)
Interest bearing account	**4,826,623**	**1.10-2.50**	7,213,273	1.10-2.50
Non interest bearing account	**256,441**	**-**	359,690	-
Total	**5,083,064**		7,572,963	

Cash and cash equivalents include no funds to be expensed in eligible exploration expenses before December 31, 2019.

4. Other short-term financial assets

	June 30, 2019	December 31, 2018
	$	$
Marketable securities of a quoted mining exploration company, at fair value	**21,725**	27,650

5. Receivables

	June 30, 2019	December 31, 2018
	$	$
Credit on mining rights refundable and refundable tax credit for resources	**1,476,226**	915,970
Commodity taxes	**73,024**	184,847
	1,549,250	1,100,817

6. Right-of-use assets

	Rent	Automotive equipment	Other equipment	Total
	$	$	$	$
Balance as at January 1st, 2019	174,627	5,835	14,950	**195,412**
Depreciation	(16,631)	(1,591)	(2,804)	**(21,026)**
Balance as at June 30, 2019	157,996	4,244	12,146	**174,386**

(In Canadian $)

7. Mining assets and deferred exploration costs

	Chimo Mine [1]	Wilson	Benoist	Fenton	Total
Percentage interest	100%	100%	100%	50%	
	$	$	$	$	$
Mining assets					
Balance as at December 31, 2018	107,024	72,000	737,723	24,644	941,391
Additions	350,000	-	-	-	350,000
Balance as at June 30, 2019	**457,024**	**72,000**	**737,723**	**24,644**	**1,291,391**
Deferred exploration costs					
Balance as at December 31, 2018	8,478,524	1,089,748	2,383,664	1,523,839	13,475,775
Additions					
Geology	164,518	-	3,242	2,872	170,632
Drilling	1,383,942	-	-	-	1,383,942
Geochemistry	104,310	-	409	-	104,719
Core shack rental and maintenance	1,818	-	355	-	2,173
Duties, taxes and permits	744	653	1,008	160	2,565
Depreciation of exploration leasehold improvements	1,565	-	-	-	1,565
Depreciation of right-of-use assets	17,092	-	-	-	17,092
Interest on lease obligations	2,985	-	-	-	2,985
Share-based payments - employees (note 9)	38,581	-	-	-	38,581
Total deferred exploration costs during the year	1,715,555	653	5,014	3,032	1,724,254
Tax credits	(468,462)	-	(1,122)	(804)	(470,388)
Additions during the period	1,247,093	653	3,892	2,228	1,253,866
Total deferred exploration costs as at June 30, 2019	**9,725,617**	**1,090,401**	**2,387,556**	**1,526,067**	**14,729,641**
Total of mining assets and deferred exploration costs as at June 30, 2019	**10,182,641**	**1,162,401**	**3,125,279**	**1,550,711**	**16,021,032**

All mining properties held by the Company are located in northwestern Quebec.

[1] On June 19, 2019, the Company repurchased a 2% NSR royalty on the Chimo Mine property for $350,000 in cash.

The Company is subject to royalties on certain properties.

(In Canadian $)

8. Lease obligations

	June 30, 2019
	$
Lease obligations included in the statement of financial position as at June 30, 2019	
Initial recognition upon adoption of IFRS 16	**195,412**
Theoretical interests on lease obligations	**3,673**
Payments on lease obligations	**(22,749)**
	176,336
Current portion of lease obligations	**(51,580)**
Lease obligations	**124,756**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	45,496
One to five years	146,405
Total undiscounted lease obligations as at June 30, 2019	**191,901**

9. Share capital

Authorized
Unlimited number of common shares, without par value, voting and participating

	June 30, 2019		December 31, 2018	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of the year	**177,104,747**	**35,288,268**	176,904,747	35,255,308
Shares issued and paid				
Exercise of warrants (a)	**-**	**-**	200,000	32,960
Balance, at end of the year	**177,104,747**	**35,288,268**	177,104,747	35,288,268

(a) During the year 2018, the Company issued 200,000 common shares at a price of $0.13 following exercise of warrants whose fair value of the common share ranged from $0.165 at the time of exercise.

Share Option Plan

The Company has a share option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

(In Canadian $)

9. Share capital (continued)

The following table summarizes the information about the outstanding share options:

	June 30, 2019 Number	**June 30, 2019** Weighted average exercise price	December 31, 2018 Number	December 31, 2018 Weighted average exercise price
		$		$
Outstanding - Beginning	**14,100,000**	**0.17**	11,475,000	0.18
Granted-employees	**1,950,000**	**0.12**	3,575,000	0.15
Expired	**(1,900,000)**	**0.21**	(950,000)	0.25
Outstanding - End	**14,150,000**	**0.16**	14,100,000	0.17
Exercisable - End	**11,475,000**	**0.17**	11,587,500	0.17

The following table summarizes certain information for share options outstanding and exercisable:

	Outstanding options June 30, 2019			**Exercisable options June 30, 2019**		
Exercise price	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**
		(years)	**$**		**(years)**	**$**
$0.10 to $0.20	**12,275,000**	**2.94**	**0.14**	**9,600,000**	**2.43**	**0.14**
$0.21 to $0.30	**1,875,000**	**2.88**	**0.30**	**1,875,000**	**2.88**	**0.30**
$0.10 to $0.30	**14,150,000**	**2.93**	**0.16**	**11,475,000**	**2.51**	**0.17**

During the period ended June 30, 2019, the share-based payment expense was $168,757 (2018 - $265,446). An amount of $130,176 (2018 - $226,383) was presented in the statement of loss and an amount of $38,581 (2018 - $39,063) was presented in mining assets and deferred exploration costs.

(In Canadian $)

9. Share capital (continued)

Warrants

The following table presents the changes that occurred during the year:

	June 30, 2019			December 31, 2018		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginning	**1,983,400**	**0.27**	**0.61**	3,518,400	0.26	0.97
Exercised	**-**	**-**	**-**	(200,000)	0.13	-
Expired	**(901,600)**	**0.27**	**-**	(1,335,000)	0.27	-
Outstanding - End	**1,081,800**	**0.27**	**0.43**	1,983,400	0.27	0.61
Exercisable - End	**1,081,800**	**0.27**	**0.43**	1,983,400	0.27	0.61

The outstanding warrants are as follows:

Maturity date	**Exercise price**	**Number**
	$	
December 2019	0.27	**1,081,800**

10. Employee remuneration

Employee benefits recognized are detailed below:	**Three-month periods ended**		**Six-month periods ended**	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Salaries and fees	**148,750**	153,088	**313,654**	313,282
Fringe benefits	**11,743**	10,736	**27,738**	27,085
Share-based payments-employees	**83,876**	144,728	**162,853**	259,165
Defined contribution pension plan	**9,506**	7,608	**18,411**	16,228
	253,875	316,160	**522,656**	615,760
Less: salaries and share-based payments-employees capitalized in exploration and evaluation assets	**(81,998)**	(183,289)	**(185,083)**	(286,961)
Employee benefits	**171,877**	132,871	**337,573**	328,799

(In Canadian $)

11. Financial expenses

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Interest and bank charges	**2,748**	5,498	**5,801**	5,498
Theoretical interests on lease obligations	**334**	-	**688**	-
Total de la charge financière	**3,082**	5,498	**6,489**	5,498

12. Cash flows

	Six-month periods ended	
Additional information	**June 30, 2019**	June 30, 2018
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Share issue expenses included in accounts payable and accrued liabilities	**-**	77
Depreciation of property, plant and equipment transferred to deferred exploration costs	**1,565**	1,196
Depreciation of right-of-use assets	**17,092**	-
Variation of deferred exploration costs included in accounts payable and accrued liabilities	**(166,483)**	16,447
Share-based payments-employees charged to deferred exploration costs	**38,581**	39,063
Interest on lease obligations	**2,985**	-
Credits on mining taxes applied against deferred exploration costs	**470,388**	-

13. Financial Instruments

Fair value of financial instruments

The Company is exposed to a number of risks to varying degrees. The type of risk and how exposure to these risks is managed has not changed since December 31, 2018.

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities are classified under Level 1.

The carrying amount of cash and cash equivalents and accounts payable and accrued liabilities approximate fair value based on the close date.

(In Canadian $)

14. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

– Two years following the flow-through placements; or
– one year after the Company has renounced the tax deductions relating to the exploration work.

If the Company does not incur eligible exploration expenditures it will be required to indemnify the holders of such shares against all taxes and other expenses incurred as a result of the Company not incurring the required exploration expenses.

15. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Short-term employee benefits				
Salaries and fees including bonuses and benefits	**124,292**	126,942	**263,174**	263,169
Social security costs and contributions to the pension plan	**16,764**	10,776	**36,753**	38,068
Total short-term employee benefits	**141,056**	137,718	**299,927**	301,237
Share-based payments-employees	**75,027**	119,704	**145,716**	223,656
Total remuneration	**216,083**	257,422	**445,643**	524,893

During the period ended in 2019 and 2018, no key management personnel exercised share options granted through the share-based payment plans.

16. Related party transactions

During the period ended in 2019, the Company paid $680 to the spouse of a director for consultant fees. As at June 30, 2019, this amount has been recorded in administrative expenses in "business development" in the statements of profit or loss and no amount is payable.

17. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. 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. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties for the next 12 months.

The Company is not subject, with regards to external rules, to any requirements regarding its capital, unless the Company completes a flow-through financing for which the cash must be reserved for exploration. As at June 30, 2019 and December 31, 2018, the Company has no cash reserved for exploration.

As at June 30, 2019, shareholders' equity was $20,747,728 ($21,163,800 as at December 31, 2018).