NORTHERN VERTEX

MINING CORP

Consolidated Financial Statements

For the Years Ended June 30, 2018 and 2017

To the Shareholders of Northern Vertex Mining Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Northern Vertex Mining Corp. ("Northern Vertex"). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Northern Vertex's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"Kenneth Berry"
Kenneth Berry
Chief Executive Officer

"Christopher Park"
Christopher Park
Chief Financial Officer

October 26, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Vertex Mining Corp.:

We have audited the accompanying consolidated financial statements of Northern Vertex Mining Corp., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Vertex Mining Corp. as at June 30, 2018 and 2017, and the results of their financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Northern Vertex Mining Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Northern Vertex Mining Corp. to continue as a going concern.

MNP LLP

Vancouver, BC
October 26, 2018

Chartered Professional Accountants

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2018 and June 30, 2017
Expressed in Canadian Dollars

	Notes		**June 30 2018**		June 30 2017
ASSETS					
Current assets					
Cash		**$**	**7,531,761**	$	24,985,035
Trade and other receivables	5		**33,805**		82,553
Inventory	6		**10,148,098**		-
Prepaid expenses and deposits			**669,652**		183,236
Total current assets			**18,383,316**		25,250,824
Non-current assets					
Restricted cash			**2,324,864**		1,161,837
Property, plant and equipment	7		**71,462,762**		17,067,579
Mining interests	8		**30,156,454**		28,365,380
Deferred financing costs			**-**		12,977
Total assets		**$**	**122,327,396**	$	71,858,597
LIABILITIES					
Current liabilities					
Trade and other payables	9	**$**	**9,515,040**	$	3,708,108
Current portion of long term debt	10		**17,680,433**		720,944
Current portion of lease obligation	11		**2,219,614**		**-**
Total current liabilities			**29,415,087**		4,429,052
Non-current liabilities					
Long term debt	10		**19,129,483**		15,586,925
Lease obligation	11		**6,463,947**		-
Gold call options	12		**665,350**		543,560
Provision for reclamation and remediation	13		**2,325,271**		2,078,876
Total liabilities		**$**	**57,999,138**	$	22,638,413
SHAREHOLDERS' EQUITY					
Share capital	14		**54,812,708**		40,571,513
Subscriptions received in advance			**-**		2,381,600
Share option reserve	14		**6,120,291**		5,812,653
Warrant reserve	14		**25,601,236**		20,103,160
Equity component of convertible debentures	10		**1,399,014**		1,479,734
Accumulated other comprehensive income (loss)			**588,514**		(1,751,068)
Deficit			**(24,193,505)**		(19,377,408)
Total shareholders' equity			**64,328,258**		49,220,184
Total liabilities and shareholders' equity		**$**	**122,327,396**	$	71,858,597

Nature of operations and going concern	1
Commitments	7,20
Subsequent events	24

Approved and authorized on behalf of the Board:

"Kenneth Berry"
Director

"David Farrell"
Director

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

NORTHERN VERTEX MINING CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended June 30, 2018 and June 30, 2017

Expressed in Canadian Dollars

	Notes		2018		2017
Administrative expenses					
Depreciation		$	**16,314**	$	13,698
Management fees			**277,859**		165,231
Marketing and travel			**887,587**		812,325
Office			**183,773**		190,483
Professional fees			**557,838**		764,900
Rent			**45,023**		42,698
Salaries, wages and severance			**518,315**		1,015,377
Share-based payments	14		**450,413**		795,373
Transfer agent and filing fees			**84,961**		38,617
Loss before other expenses			**(3,022,083)**		(3,838,702)
Other expenses					
Foreign exchange loss			**(1,654,684)**		(504,223)
Finance costs	15		**(103,832)**		(668,294)
Other			**(35,498)**		-
Net loss before taxes			**(4,816,097)**		(5,011,219)
Deferred tax recovery			**-**		519,977
Net loss for the year			**(4,816,097)**		(4,491,242)
Foreign currency translation			**2,339,582**		(42,704)
Comprehensive loss for the year			**(2,476,515)**		(4,533,946)
Basic and diluted loss per share		$	**(0.03)**	$	(0.04)
Weighted average number of shares outstanding			**173,443,326**		103,098,514

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended June 30, 2018 and June 30, 2017
Expressed in Canadian Dollars

	Notes	Number of Shares	Share Capital	Subscriptions Received in Advance	Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, June 30, 2016		**95,288,461**	**$ 23,045,440**	**$ -**	**$ 5,034,817**	**$ 15,249,235**	**$ -**	**$ (1,708,364)**	**$ (14,886,166)**	**$ 26,734,962**
Shares issued for:										
Private placement	14	31,306,250	10,894,453	-	-	4,635,685	-	-	-	15,530,138
Convertible debt interest payment		710,360	317,382	-	-	-	-	-	-	317,382
Long term debt financing fees	10	1,498,202	629,245	-	-	-	-	-	-	629,245
Subscriptions received in advance		-	-	2,381,600	-	-	-	-	-	2,381,600
Convertible debentures issued		-	-	-	-	-	1,479,935	-	-	1,479,935
Conversion of convertible debentures		2,000	881	-	-	-	(201)	-	-	680
Exercise of stock options	14	183,334	63,371	-	(17,537)	-	-	-	-	45,834
Exercise of warrants	14	12,290,608	7,471,877	-	-	(1,796,111)	-	-	-	5,675,766
Warrants issued for:										
Warrant exercise incentive program		-	(1,851,136)	-	-	1,851,136	-	-	-	-
Convertible debt financing		-	-	-	-	163,215	-	-	-	163,215
Share-based payments	14	-	-	-	795,373	-	-	-	-	795,373
Foreign currency translation		-	-	-	-	-	-	(42,704)	-	(42,704)
Net loss		-	-	-	-	-	-	-	(4,491,242)	(4,491,242)
Balance, June 30, 2017		**141,279,215**	**40,571,513**	**2,381,600**	**5,812,653**	**20,103,160**	**1,479,734**	**(1,751,068)**	**(19,377,408)**	**49,220,184**
Shares issued for:										
Private placements	14	34,302,806	11,894,866	-	-	5,580,966	-	-	-	17,475,832
Convertible debt interest payment	10	739,507	353,979	-	-	-	-	-	-	353,979
Long term debt fees	10	1,267,024	598,538	-	-	-	-	-	-	598,538
Mineral property acquisition		200,000	96,000							96,000
Subscriptions received in advance		-	-	(2,381,600)	-	-	-	-	-	(2,381,600)
Conversion of convertible debentures	10	802,000	354,547	-	-	-	(80,720)	-	-	273,827
Exercise of warrants	14	943,000	507,240	-	-	(82,890)	-	-	-	424,350
Exercise of stock options	14	775,000	436,025	-	(142,775)	-	-	-	-	293,250
Share-based payments	14	-	-	-	450,413	-	-	-	-	450,413
Foreign currency translation		-	-	-	-	-	-	2,339,582	-	2,339,582
Net loss		-	-	-	-	-	-	-	(4,816,097)	(4,816,097)
Balance, June 30, 2018		**180,308,552**	**$ 54,812,708**	**$ -**	**$ 6,120,291**	**$ 25,601,236**	**$ 1,399,014**	**$ 588,514**	**$ (24,193,505)**	**$ 64,328,258**

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and June 30, 2017
Expressed in Canadian Dollars

	Notes	**2018**	2017
Cash flows from operating activities			
Net loss income before taxes for the year		**$ (4,816,097)**	$ (5,011,219)
Items not affecting cash:			
Share-based payments	14	**450,413**	795,373
Depreciation		**16,314**	13,698
Interest expense	15	**320,272**	1,039,063
Fair value loss (gain) on gold call options	12	**100,196**	(290,233)
Unrealized foreign exchange loss		**2,910,441**	484,930
Changes in non-cash working capital balances:			
Trade and other receivables		**(14,542)**	(58,363)
Prepaid expenses and deposits		**(482,082)**	34,087
Trade and other payables		**(81,035)**	(120,963)
Cash used in operating activities		**(1,596,120)**	(3,113,627)
Cash flows from financing activities			
Proceeds of long term debt, net of issue costs	10	**20,366,479**	19,268,060
Proceeds of lease obligation	11	**10,902,220**	-
Repayment of lease obligation	11	**(2,672,087)**	-
Repayment of debt		**(1,525,546)**	-
Issuance of share capital, net of issue costs		**15,918,548**	23,419,468
Interest paid		**(2,810,455)**	(518,305)
Deferred financing costs		**-**	(13,268)
Non-current deposit		**(1,097,535)**	-
Cash provided by financing activities		**39,081,624**	42,155,955
Cash flows from investing activities			
Mining interest expenditures		**(615,233)**	(1,308,069)
Reclamation deposits		**(3,782)**	(1,164,862)
Property, plant and equipment expenditures		**(53,007,141)**	(12,296,747)
Cash used in investing activities		**(53,626,156)**	(14,769,678)
Effect of foreign exchange on cash		**(1,312,622)**	(585,031)
(Decrease) increase in cash during the year		**(17,453,274)**	23,687,619
Cash, beginning of the year		**24,985,035**	1,297,416
Cash, end of the year		**$ 7,531,761**	$ 24,985,035

Supplemental disclosure of non-cash activities 17

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

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

1 Nature of operations and going concern

Nature of operations

Northern Vertex Mining Corp. (the "Company") is a Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is Suite 1650 – 1075 West Georgia Street, Vancouver, British Columbia, Canada.

The Company's principal business is to acquire, explore, develop and operate mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations and continual development of the Moss Mine are dependent on the Company's ability to generate sufficient cash flow from production, obtain equity financing by the issuance of share capital and to secure debt financing.

During the year ended June 30, 2018, the Company raised gross proceeds of $18,555,059 from private placements and warrant exercises, closed the third and fourth tranches of its senior credit facility for $13,168,000 (US$10,000,000) (Note 10), completed two tranches of an unsecured subordinated non-revolving loan facility each in the amount of $3,950,400 (US$3,000,000) for a total of $7,900,800 (US$6,000,000) and secured a finance lease for $11,419,760 (US$8,672,357) (Note 11). To continue development at the Moss Mine, the Company may require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As of June 30, 2018 and June 30, 2017 the Company had the following working capital and deficit balances:

		June 30, 2018		June 30, 2017
Working capital	**$**	**(11,031,771)**	$	20,821,772
Deficit	**$**	**(24,193,505)**	$	(19,377,408)

2 Statement of compliance

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 26, 2018.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all of the years presented in these consolidated financial statements, unless otherwise indicated.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. These consolidated financial statements include the accounts of two wholly-owned subsidiaries, Golden Vertex Corp. ("GVC") and Golden Vertex (Idaho) Corp. ("GVIC"), both incorporated in the United States. GVIC is an inactive subsidiary with less than $10,000 in net assets. All inter-company balances, and gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

Foreign currency translation

Functional and presentation currency

Transactions included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company.

Transactions and balances

Transactions denominated in foreign currencies are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss.

Translation of subsidiary results into the presentation currency

The operating results and statements of financial position of each of the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year end closing rate as at the date of the statements of financial position;
- Income and expenses for the statements of loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive (loss) income.

3 Significant accounting policies (continued)

Cash

Cash presented in assets on the consolidated statements of financial position and the consolidated statements of cash flows at June 30, 2018 and June 30, 2017 consisted entirely of cash on deposit with a Canadian Schedule I financial institution and a US-chartered commercial bank and are subject to negligible risk of changes in value.

Exploration and evaluation assets

Exploration and evaluation assets represent properties on which the Company is conducting exploration to determine whether significant mineralization exists or for which the Company has identified a mineral resource of such quantity and grade or quality that it has reasonable prospects for economic extraction. All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred. Once the legal right to explore has been obtained, exploration expenditures are capitalized in respect of each identifiable area of interest until a technical feasibility study has been completed and the commercial viability of extracting a mineral resource is demonstrable. Exploration and evaluation activities include the following:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource; and
- compiling pre-feasibility and feasibility studies.

Proceeds from gold and silver sales during the exploration and evaluation phase are offset against costs capitalized as production is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Exploration and evaluation assets are carried at historical cost, less any impairment, if applicable.

Exploration and evaluation assets are transferred to development or producing mining interests when technical feasibility and commercial viability of the mineral resource have been demonstrated. Factors taken into consideration include:

- the extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- life of mine plan and economic modeling support the economic extraction of such reserves and resources;
- no legal encumbrances exist which would cast significant doubt on the commercial viability of the mineral reserves; and
- operating and environmental permits exist or are reasonably assured as obtainable.

Exploration and evaluation expenditures do not qualify as development or producing mining interests until the above criteria are met.

Mining interests

Exploration, development and field support costs directly related to mining interests are deferred until the property to which they directly relate is placed into production, sold, abandoned or subject to a condition of impairment. The deferred costs are amortized over the useful life of the mine following commencement of production or impaired if the property is abandoned.

3 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of qualifying assets.

Property, plant and equipment are depreciated using either the straight-line or units-of production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and reclassified to machinery and plant equipment when it becomes available for use.

Depreciation

Depreciation commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. The Moss Mine property is depreciated based on units of production and depreciation relating to mobile equipment is capitalized to mining interests prior to the Moss Mine reaching commercial production. Property and equipment at head office is depreciated and expensed over the period in which the assets are expected to be available for use. The Company uses the following depreciation rates, at both locations, if applicable:

Major class of asset	Depreciation rate
Building	5 years
Office, furniture and leasehold	3-5 years
Machinery and plant equipment	3-5 years
Vehicles	5 years

Asset useful life and residual values are reviewed on an annual basis and adjusted, if required, on a prospective basis.

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing mining properties and constructing new facilities (qualifying assets) are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which in the case of mining properties, is when the mining property reaches commercial production. Capitalization commences on the date that expenditures for the qualifying asset are incurred, borrowing costs are incurred by the Company and activities that are necessary to prepare the qualifying asset for its intended use are undertaken. All other borrowing costs are expensed in the period in which they are incurred.

3 Significant accounting policies (continued)

Provision for reclamation and remediation

The Company's activities are subject to laws and regulations relating to the protection of the environment in jurisdictions in which exploration, development and mining activities take place. To comply with such laws and regulations, the Company may be required to make expenditures for reclamation and remediation. In certain cases, the Company could also have a constructive obligation to make such expenditures, where a legal obligation did not otherwise exist. The Company recognizes a provision for reclamation and remediation when: the Company has a present legal or constructive obligation as a result of past events, such as an environmental disturbance; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time, is capitalized to mining interests.

Reclamation and remediation provisions include estimates for the costs of restoration activities required under applicable environmental regulations, such as dismantling and demolition of infrastructure, site and land rehabilitation, and security and monitoring. The extent of reclamation and remediation work required is primarily dependent on the prescribed requirements of the applicable environmental authority in the jurisdiction in which the Company's activities take place. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of mining interests. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Reclamation and remediation provisions are reviewed at least quarterly and take into account the effects of inflation and changes in estimates, with any resulting adjustments to the net present value of the provision correspondingly capitalized to mining interests.

Impairment

Financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of mining interests are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- exploration and mining rights have expired or will expire in the near future;
- no future substantive exploration expenditures are budgeted;
- commercially viable quantities of mineral resources have not been discovered and mining interests activities will be discontinued; and
- capitalized expenditures are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

3 Significant accounting policies (continued)

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit", or "CGU") is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

Warrants

Warrants are classified as equity as they are derivatives of the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, with the residual value being allocated to shares.

3 Significant accounting policies (continued)

Share-based payments

The grant date fair value of share-based payment awards granted to employees, consultants, directors and officers is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the recipient unconditionally becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Financial instruments

The Company classifies financial instruments as either fair value through profit or (loss), loans and receivables, held-to-maturity, available-for-sale, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Instruments classified as fair value through profit or (loss) are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss. All financial assets except those measured at fair value through profit or (loss) are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Specific accounting policies and classifications for each of the Company's financial instruments are described below:

i) Fair value through profit or (loss)

Financial assets and liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as fair value through profit or (loss). Any financial instrument can be designated as fair value through profit or (loss) as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in profit or (loss).

The Company has classified cash as fair value through profit or (loss), which accordingly are carried at their fair values.

ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets and any transaction costs incurred to acquire held-to-maturity financial assets are included in profit or (loss). Currently, the Company has no held-to-maturity financial assets.

3 Significant accounting policies (continued)

iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables and any transaction costs incurred to acquire loans and receivables are included in profit or (loss). The Company classifies trade and other receivables and reclamation deposits as loans and receivables.

iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as fair value through profit or (loss), held-to-maturity or loans or receivables, and are carried at fair value. Any unrealized gains or losses arising from the change in fair value are recorded within comprehensive income (loss). Available-for-sale assets are written down to fair value through profit or (loss) whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the asset are included in profit or (loss). Any transaction costs incurred to acquire available-for-sale financial assets will be included in profit or (loss). Currently, the Company has no available-for-sale financial assets.

v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or (loss). Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The Company classifies trade and other payables and long-term debt as other financial liabilities.

vi) Derivatives

Derivative instruments are recorded at fair value and reflected on the consolidated statement of financial position. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative instrument are included in the consolidated statement of loss. The Company classifies gold call options as derivatives.

vii) Compound financial instruments

Convertible debentures are compound financial instruments, consisting of the debt instrument and the equity conversion feature. The debt instrument is fair valued using a rate applicable to a non-compound debt instrument at issuance and carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument is allocated as the fair value of the equity component of the convertible debentures. Transaction costs are netted against the debt instrument and equity component based on the pro-rata allocation of the fair value of each instrument at initial recognition.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense if applicable, is recognized in the consolidated statements of loss.

3 Significant accounting policies (continued)

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred tax

Deferred tax is recorded using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable loss, or on differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Revenue recognition

The Company has adopted IFRS 15, Revenue from Contracts with Customers, effective from the commencement of commissioning at the Moss Mine. Revenue is generated from the sale of gold and silver.

The Company produces doré which contains gold and silver. Doré is further processed by a third party refiner to produce refined metals for sale. The Company's performance obligations relate primarily to an irrevocable sale and delivery of gold and silver to its customer.

Revenue is recognized when control of the refined gold and silver is transferred to the customer. Control is achieved when an irrevocable commitment to sell gold and silver to the customer at a specified price occurs upon the Company's third party refiner notifying the customer they have received irrevocable instructions to deliver refined gold and silver to the customer's bullion account. After this point the customer has full discretion over the product and there is no unfulfilled obligation that could affect the acceptance of the product.

For each physical shipment of gold and silver doré, 100% of the estimated contained gold and silver is available to be delivered to the customer's bullion account within approximately seven business days of arrival at the refinery. Differences between the contained gold estimate, the contained silver estimate and the final outturn from the refiner are maintained through a shortfall/surplus account between the Company and its customer.

3 Significant accounting policies (continued)

Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company, as a lessee, are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance costs and the lease liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term, in which case the asset is depreciated over the useful life of the asset.

Inventory

Ore stockpiles, heap leach ore and doré (gold and silver) are valued at the lower of weighted average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and applicable depreciation and depletion of mineral properties, plant and equipment. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form and estimated costs to sell.

Ore stockpile inventory represents ore on the surface that has been extracted from the mine and is available for further processing. Heap leach inventory represents material on the heap leach pad and in the processing plant that is in the process of being converted into a saleable form. Doré inventory represents gold and silver located at the mine, in transit to customers, at the refinery and gold and silver bullion after it has been refined.

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

New and amended accounting standards

There have been no changes to IFRS and IFRIC effective July 1, 2017 that impact the Company's consolidated financial statements except as noted above.

Future accounting policy changes issued but not yet in effect

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these consolidated financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which replaces IAS 17, Leases, and other lease related interpretations. The new standard established the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019.

3 Significant accounting policies (continued)

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, that replaces IAS 39 Financial Instruments - Recognition and Measurement, in its entirety and reduces the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

4 Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying note disclosures. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By their nature, these judgments, estimates and assumptions are subject to uncertainty and the effect on the consolidated financial statements in future periods for changes in such factors could be significant. Actual results may differ from these judgments, estimates and assumptions.

Significant estimates and judgments used in the preparation of the consolidated financial statements include, but are not limited to:

- asset carrying values and impairment charges;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from the expenditures;
- the expected costs of reclamation and remediation;
- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- useful life of property, plant and equipment;
- the fair value of gold call options;
- the portion of convertible debentures directly apportioned to equity;
- those relating to the assessment of the Company's ability to continue as a going concern; and
- the determination of functional currency, as the Canadian dollar for the parent company and the US dollar for the wholly owned subsidiaries;

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the consolidated financial statements are as follows:

i) Mining interests

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of mining interests. The amounts shown for mining interests do not necessarily represent present or future values.

The recoverability of asset carrying values is dependent upon economically recoverable reserves and resources, the ability of the Company to obtain the necessary financing and permits to complete development and profitable production or proceeds from the disposition.

4 Significant accounting estimates and judgments (continued)

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

ii) Share-based payments

The Company has an incentive stock option plan for employees, consultants, directors and officers. Services received and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The Company also issues share purchase warrants in connection with certain equity financings. The fair value of share options and share purchase warrants is estimated by using the Black-Scholes valuation model on the date of stock option grant or date of warrant issuance based on certain assumptions. Those assumptions are described in Notes 14(c) and 14(d) and include, among others, expected volatility, expected life and number expected to vest.

iii) Provision for reclamation and remediation

The amounts recorded for reclamation and remediation provisions are based on a number of factors, including technical reports prepared by third-party specialists for anticipated remediation activities and costs, the expected timing of cash flows, anticipated inflation rates and pre-tax risk-free interest rates on which the estimated cash flows have been discounted. Actual results could differ from these estimates. The estimates require considerable judgment about the nature, cost and timing of the work to be completed and may change with future changes to costs, environmental laws and regulations and remediation practices.

iv) Useful life of property, plant and equipment

The useful life of property, plant and equipment and intangible assets is based on management estimates at the time of acquisition with information obtained from vendors and engineer guidance, where required. Management estimates may change due to technological developments, market conditions, expectation for replacement of assets and other factors. The Company depreciates assets on a straight-line basis, over the useful life of the asset to the extent that the useful life does not exceed the estimated life of the mine. Estimates of residual values, useful lives and depreciation methods are reviewed periodically by management. Any changes that arise from periodic reviews are accounted for and adjusted prospectively.

v) Fair value of gold call options

The fair value of financial instruments that are not traded in an active market are determined using the Black-Scholes valuation model. Management uses its judgment to make estimates of specific model inputs that are based on conditions, including market, existing at the end of each reporting period.

vi) Capitalization of borrowing costs

The capitalization of borrowing costs involves the determination of a capitalization rate, which is subject to judgment by management.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

4 Significant accounting estimates and judgments (continued)

vii) Convertible debentures

Convertible debentures are compound financial instruments accounted for in two separate components, a debt instrument and equity instrument or a derivative liability. The identification of the respective components is based on interpretations of the substance of the contractual arrangement and thus requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the debt component. The determination of the fair value of the debt component is based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments

viii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

ix) Inventories

The allocation of costs to inventories and the determination of net realizable value involves the use of estimates. There is significant judgment used in estimating future costs, future production levels, contained gold and silver ounces, gold and silver recovery levels and market prices. Actual results may differ significantly from estimates used in the determination of the carrying value of inventories.

x) Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgement. In making this determination, management considers specific facts and circumstances. These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at a pre-determined level of design capacity for a reasonable period of time.

5 Trade and other receivables

		June 30, 2018		June 30, 2017
Trade accounts receivable	**$**	**14,579**	$	64,636
Value-added taxes receivable		**19,226**		17,917
	$	**33,805**	$	82,553

6 Inventory

		June 30, 2018		June 30, 2017
Heap leach ore	**$**	**8,603,866**	$	-
Dore		**924,701**		-
Stockpiled ore		**389,297**		-
Consumables and supplies		**230,234**		-
	$	**10,148,098**	$	-

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

7 Property, plant and equipment

Property, plant and equipment for the years ended June 30, 2018 and 2017 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Capital work in progress	Construction in progress	Total
Net book value at June 30, 2017	**$ 22,484**	**$ 26,657**	**$ 257,942**	**$ 35,354**	**$ -**	**$ 16,725,142**	**$ 17,067,579**
Additions	48,035	686,986	369,952	280,988	27,453	50,782,792	**52,196,206**
Depreciation	(22,187)	(121,830)	(268,242)	(48,050)	-	-	**(460,309)**
Foreign exchange movement	739	28,383	4,743	6,926	-	2,618,495	**2,659,286**
Net book value at June 30, 2018	**$ 49,071**	**$ 620,196**	**$ 364,395**	**$ 275,218**	**$ 27,453**	**$ 70,126,429**	**$ 71,462,762**
Consisting of:							
Cost	$ 147,356	$ 866,235	$ 1,739,369	$ 607,690	$ 27,453	$ 70,126,429	**$ 73,514,532**
Accumulated depreciation	(98,285)	(246,039)	(1,374,974)	(332,472)	-	-	**(2,051,770)**
	$ 49,071	**$ 620,196**	**$ 364,395**	**$ 275,218**	**$ 27,453**	**$ 70,126,429**	**$ 71,462,762**

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Capital work in progress	Construction in progress	Total
Net book value at June 30, 2016	**$ 41,921**	**$ 61,725**	**$ 565,871**	**$ 40,200**	**$ -**	**$ 694,197**	**$ 1,403,914**
Additions	-	-	-	16,931	-	16,239,231	**16,256,162**
Disposal & write-down	-	-	(33,568)	-	-	-	**(33,568)**
Depreciation	(19,976)	(35,976)	(281,906)	(21,585)	-	-	**(359,443)**
Foreign exchange movement	539	908	7,545	(192)	-	(208,286)	**(199,486)**
Net book value at June 30, 2017	**$ 22,484**	**$ 26,657**	**$ 257,942**	**$ 35,354**	**$ -**	**$ 16,725,142**	**$ 17,067,579**
Consisting of:							
Cost	$ 97,881	$ 176,649	$ 1,349,555	$ 143,881	-	$ 16,725,142	**$ 18,493,108**
Accumulated depreciation	(75,397)	(149,992)	(1,091,613)	(108,527)	-	-	**(1,425,529)**
	$ 22,484	**$ 26,657**	**$ 257,942**	**$ 35,354**	**$ -**	**$ 16,725,142**	**$ 17,067,579**

As at June 30, 2018, the Company had contractual commitments to acquire property, plant, and equipment for $nil (June 30, 2017 – $14,227,207).

During the year ended June 30, 2018, the Company capitalized borrowing costs of $5,000,895 (June 30, 2017 – $760,131) related to the Moss Mine project into construction in progress at a capitalization rate of 13.83% (June 30, 2017 – 14.86%).

Included in construction in progress as at June 30, 2018 were finance lease assets with a net book value of $11,419,760 (June 30, 2017 - $Nil) and direct costs incurred in connection with the finance lease of $312,651 (June 30, 2017 - $Nil).

8 Mining interests

Mining interests for the years ended June 30, 2018 and June 30, 2017 were as follows:

	Development	Exploration		
	Moss Mine Property	Moss Property	Silver Creek Property	Total
Net book value at June 30, 2017	**$ 27,169,699**	**$ 841,242**	**$ 354,439**	**$ 28,365,380**
Additions	706,880	491,307	132,518	**1,330,705**
Foreign exchange movement	431,531	19,773	9,065	**460,369**
Net book value at June 30, 2018	**$ 28,308,110**	**$ 1,352,322**	**$ 496,022**	**$ 30,156,454**
Net book value at June 30, 2016	**$ 25,470,094**	**$ -**	**$ 204,416**	**$ 25,674,510**
Additions	1,591,080	857,159	150,328	**2,598,567**
Foreign exchange movement	108,525	(15,917)	(305)	**92,303**
Net book value at June 30, 2017	**$ 27,169,699**	**$ 841,242**	**$ 354,439**	**$ 28,365,380**

8 Mining interests (continued)

Moss Mine Property – Mohave County, Arizona

The Company owns 100% of the Moss Mine project.

On March 7, 2011, the Company entered into an agreement with Patriot Gold Corp. ("Patriot Gold") whereby the Company was granted the right to earn a 70% interest in the Moss Mine project under certain terms. Early in the year ended June 30, 2016, the Company satisfied the terms of the agreement and earned a 70% interest in the Moss Mine project.

On May 26, 2016, the Company completed an agreement with Patriot Gold, whereby the Company purchased Patriot Gold's remaining 30% interest in the Moss Gold/Silver Mine for $1,200,000 cash and 857,140 common shares plus the retention by Patriot Gold of a 3% net smelter returns ("NSR") royalty. The common shares were issued with a fair value of $342,856.

In addition, the Company has royalty agreements with various parties whereby the Company pays NSR royalties ranging from 1% to 3.5% on certain patented and unpatented claims.

A fee of up to US$15 per troy ounce of gold produced and up to US$0.35 per troy ounce of silver produced is payable to a third party. The fee can be purchased by the Company for US$2,400,000 in cash and/or shares of the Company within 90 days of the commencement of commercial production as defined by the agreement. During the year ended June 30, 2017, the Company settled and paid a 3% finder's fee on exploration expenditures in the amount of $133,378 to third parties.

Silver Creek Property – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI US$5,000 and issued 100,000 common shares of the Company upon execution of the agreement.

On June 28, 2017, the Company entered into an amendment to the mineral lease and option agreement to defer the minimum work commitment of US$200,000 from May 7, 2017 to May 7, 2019. Upon the execution of the amendment, the Company must meet the following commitments:

i. Pay LCI US$10,000 cash (paid) and fund a minimum of US$15,000 (completed) on work commitments by May 7, 2015;
ii. Pay LCI US$20,000 cash (paid) and fund a minimum of US$20,000 (completed) on work commitments by May 7, 2016;
iii. Pay LCI US$30,000 cash (paid) by May 7, 2017 and US$20,000 cash (paid) by July 28, 2017;
iv. Pay LCI US$45,000 cash by May 7, 2018 (paid);
v. Pay LCI US$50,000 cash by May 7, 2019 and fund a minimum of US$200,000 on work commitments by May 7, 2019; and
vi. Pay LCI US$25,000 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling US$4,000,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once US$4,000,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

9 Trade and other payables

		June 30, 2018		June 30, 2017
Trade accounts payable	**$**	**5,839,829**	$	1,706,199
Accrued liabilities		**3,675,211**		2,001,909
	$	**9,515,040**	$	3,708,108

10 Long term debt

	Note		**June 30, 2018**		June 30, 2017
Senior secured credit facility, net of issue costs	(i)	**$**	**23,810,946**	$	11,270,247
Convertible debentures – 2016	(ii)		**5,066,257**		5,037,622
Convertible debentures – 2018	(iii)		**7,588,266**		-
Equipment loans, net of costs	(iv)		**344,447**		-
		$	**36,809,916**	$	16,307,869
Current portion of long term debt			**(17,680,433)**		(720,944)
		$	**19,129,483**	$	15,586,925

(i) Senior secured credit facility:

The Company closed a senior secured credit facility ("the Facility") pursuant to which up to $26,336,000 (US$20,000,000) was advanced in four tranches to fund construction costs of the Moss Mine. The first two tranches totaling $13,168,000 (US$10,000,000) were advanced during the fiscal year ended June 30, 2017. The remaining two tranches totaling $13,168,000 (US$10,000,000) were advanced during the year ended June 30, 2018. During the year ended June 30, 2018, certain terms of the Facility agreement were amended.

In connection with the initial tranche of the Facility the Company paid fees of $402,090, issued 1,498,202 common shares with a fair value of $629,245 and issued call options (the "Gold Call Options") to purchase 6,000 ounces. Concurrent with the amendment to the Facility agreement, the exercise price of the Gold Call Options was repriced from US$1,350 per ounce to US$1,275 per ounce (Note 12).

Interest is due monthly at an annual interest rate of 8% plus the greater of twelve month USD LIBOR or 1.25%. Monthly principal payments of $1,463,111 (US$1,111,111) commenced in June 2018 and end in November 2019 when the Facility matures.

The Facility is secured with a first charge over assets and shares of all subsidiaries. Fees of 3% of the principal amount outstanding are due on November 4 of each year and are payable in cash or shares at the option of the lender. During the year ended June 30, 2018 and pursuant to the terms of the Facility agreement, the Company issued an aggregate of 1,267,024 common shares with a fair value of $598,538 in satisfaction of the anniversary fee.

(ii) Convertible debentures - 2016:

On July 14, 2016 and November 2, 2016, the Company completed tranches of a private placement of $7,225,000 and $127,000, respectively, of unsecured convertible debentures for total proceeds of $7,352,000.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Long term debt (continued)

The convertible debentures mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31 with the first payment due on November 30, 2016. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

During the fiscal year, the Company issued 739,507 (June 30, 2017 – 710,360) common shares with a fair value of $360,518 (June 30, 2017 - $325,752) in payment of interest expense.

		June 30, 2018		June 30, 2017
Balance, beginning of year	**$**	**5,037,622**	$	-
Issued		**-**		7,352,000
Equity portion		**-**		(1,999,912)
Converted debentures		**(277,996)**		(680)
Financing costs		**-**		(760,143)
Interest accretion		**306,631**		446,357
Balance, end of year	**$**	**5,066,257**	$	5,037,622

As at June 30, 2018, $402,000 of convertible debentures have been converted to 804,000 common shares with a fair value of $359,597.

(iii) Convertible debentures – 2018

On January 17, 2018 and March 7, 2018, the Company completed two tranches of an unsecured subordinated non-revolving loan facility in the amount of $3,950,400 (US$3,000,000) each for a total of $7,900,800 (US$6,000,000).

The convertible debentures mature on January 31, 2020 at which time the principal amount is to be repaid in full, subject to the holder having not elected to convert the principal amount outstanding. The convertible debentures bear interest at 12% per annum, payable quarterly in arrears in cash and are convertible at the holder's option at any time prior to the maturity date. The conversion price is the lower of: (i) $0.70; and (ii) if the Company has announced a potential merger, amalgamation, arrangement, acquisition or other type of business transaction that results in a change of control, or a merger and acquisition transaction, including the issuance by the Company of more than 20% of its stock, the 20 day volume weighted average price prior to such announcement, subject to the conversion price not being less than $0.51 for tranche one and $0.52 for tranche two. The conversion price of debentures issued under any subsequent advance will be as above, but will be subject to the minimum market price determined on the date preceding the date of issuance of any such subsequent debentures. Cash fees of 3% of the amount of each advance were paid upon completing the tranches and 3% of the aggregate amount outstanding is due on the anniversary date.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Long term debt (continued)

		June 30, 2018		June 30, 2017
Balance, beginning of year	**$**	**-**	$	-
Issued		**7,900,800**		-
Financing costs		**(366,722)**		-
Interest accretion		**73,737**		-
Foreign exchange movement		**(19,549)**		-
Balance, end of year	**$**	**7,588,266**	$	-

(iv) Equipment loans

At June 30, 2018, the Company had equipment loans outstanding totalling $344,447 (US$261,579) (June 30, 2017 - $Nil) at interest rates ranging from 4.34% to 11.99% with monthly payments of $11,979 (US$9,097).

11 Lease obligation

During the year ended June 30, 2018, the Company executed a definitive Master Lease Agreement (the "MLA") for up to $11,604,600 (US$9,000,000) of equipment purchases. The significant terms and conditions of the MLA include: a maximum of US$9,000,000 available to fund equipment purchases with 10% to 30% due as advance payments at lease commencement, fixed quarterly payments over a four year lease period, interest rate of 3-month USD LIBOR plus additional interest rates ranging from 5.00% to 6.25% per annum and the right to buy the equipment at the end of the lease period for nominal consideration. The MLA is secured with the acquired assets in favour of the lender and a guarantee from the Company.

The Company paid fees of $296,280 (US$225,000) in connection with the MLA and commitment fees of 0.5% of the unused portion of the MLA are due quarterly. As of June 30, 2018 $3,212,995 (US$2,440,002) of the MLA remains unused.

Minimum lease payments and present value of finance lease are as follows:

		June 30, 2018		June 30, 2017
Balance, beginning of year	**$**	**-**	$	-
Minimum lease payments		**12,448,972**		-
Principal payments		**(2,669,187)**		-
Finance charges		**(1,502,603)**		-
Foreign exchange movement		**406,379**		-
		8,683,561		-
Current portion of finance lease		**(2,219,614)**		-
Balance, end of year	**$**	**6,463,947**	$	-

		Within 1 Year		**2-5 Years**		**Total**
Future minimum lease payments		2,807,587		7,144,607		9,952,194
Finance charges		(587,973)		(680,660)		(1,268,633)
Present value of finance lease	$	2,219,614	$	6,463,947	$	8,683,561

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

12 Gold call options

		June 30, 2018		June 30, 2017
Balance, beginning of year	**$**	**543,560**	$	-
Gold Call Options issued		**-**		841,105
Gold Call Options revaluation		**100,196**		(290,233)
Foreign exchange movement		**21,594**		(7,312)
Balance, end of year	**$**	**665,350**	$	543,560

In connection with the senior secured credit facility (Note 10), the Company issued Gold Call Options to the lender to purchase 6,000 ounces of gold at an exercise price of US$1,350 per ounce. The exercise price was repriced to US$1,275 per ounce pursuant to the amendment to the Facility agreement. The Gold Call Options expire on November 4, 2021 and may be settled by a cash payment, or an increase in the principal amount of the Facility, based on the difference between the exercise price and the prevailing market price of gold at the time of settlement.

The fair value of the Gold Call Options was calculated when issued and are revalued each subsequent reporting period using the Black-Scholes option pricing model with the fair value gain or loss recorded in the consolidated statements of loss. The following assumptions were used when valuing the options:

	June 30, 2018	June 30, 2017	At Issue
Exercise price (US$ per ounce)	**$1,275**	$1,350	$1,350
Gold price (US$ per ounce)	**$1,250**	$1,242	$1,303
Volatility	**11.0%**	15.2%	14.5%
Interest rate	**1.91%**	1.09%	0.52%
Expected life of options (years)	**1.85**	1.85	2.5

13 Provision for reclamation and remediation

		June 30, 2018		June 30, 2017
Balance, beginning of year	**$**	**2,078,876**	$	1,055,130
Change in estimate		**166,803**		995,946
Accretion		**48,994**		22,899
Foreign exchange movement		**30,598**		4,901
Balance, end of year	**$**	**2,325,271**	$	2,078,876

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 2.85% and a long-term inflation rate of 2%, with expenditures anticipated over a ten year period beginning in 2024. The provision is remeasured at each reporting date, with accretion being charged to the associated property asset.

During the year ended June 30, 2017, an updated reclamation plan for the Moss Mine was completed due to the advancement of the Moss Mine. Estimates for the cost of restoration activities were updated to reflect the disturbances which occurred during construction. The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of June 30, 2018, was $3,150,142 (US$2,392,271). All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

14 Share capital, option reserve and warrant reserve

a) Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Private placements completed during the years ended June 30, 2018 and June 30, 2017 were as follows:

In April 2018, the Company closed a non-brokered private placement, raising gross proceeds of $2,404,000. Pursuant to the private placement, the Company issued an aggregate of 4,623,076 units at a purchase price of $0.52 per unit. Each unit consists of one common share of the Company and one-half non-transferable common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of $0.68 until April 27, 2020. The fair value at the date of issuance was $408,594. Cash finders' fees of 6% on a portion of the gross proceeds raised, totaling $102,120, were paid to certain finders at arm's length to the Company.

In July 2017 the Company completed the final tranche of a $26,336,000 (US$20,000,000) non-brokered private placement, issuing 23,849,230 units at a price of $0.52 per unit for gross proceeds of $12,401,600 (US$9,417,983). Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant. The fair value of the warrants at the date of issuance was $4,134,250.

In July 2017 the Company also closed a non-brokered private placement raising gross proceeds of $3,031,860, of which $2,381,600 was received during the year ended June 30, 2017. Pursuant to the private placement, the Company issued an aggregate of 5,830,500 units at a purchase price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant. The fair value of the warrants at the date of issuance was $1,038,122. Cash finders' fees of 6% on a portion of the gross proceeds raised under the private placement, totaling $147,513 were paid to certain finders at arm's length to the Company.

In June 2017, the Company completed the initial tranche of a US$20,000,000 non-brokered private placement for gross proceeds of $14,518,400 (US$11,187,794) by issuing a total of 27,920,000 units at a price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 until July 18, 2019 and at a price of $1.04 from July 19, 2019 to June 9, 2022. The fair value of warrants issued was $4,284,034.

In December 2016, the Company completed a non-brokered private placement for gross proceeds of $1,354,500 by issuing an aggregate of 3,386,250 units at a purchase price of $0.40 per unit. Each unit consists of one common share of the Company and one half transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.65 expiring on December 3, 2018. The fair value of warrants issued was $351,651. The Company paid total cash finders' fees of $61,600.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

14 Share capital, option reserve and warrant reserve (continued)

b) Stock Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

Continuity of the Company's stock options issued and outstanding was as follows:

			June 30, 2018			June 30, 2017
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Outstanding, beginning of year	8,505,000	$	0.71	6,093,334	$	0.83
Granted	1,300,000		0.61	2,895,000		0.46
Exercised	(775,000)		0.38	(183,334)		0.25
Forfeited /cancelled	(625,000)		0.36	(100,000)		0.46
Expired	(2,900,000)		1.28	(200,000)		1.30
Outstanding, end of year	**5,505,000**	**$**	**0.47**	**8,505,000**	**$**	**0.71**

As at June 30, 2018, the following stock options were outstanding and exercisable:

Exercise price	**Number of options outstanding**	**Expiry date**	**Number of options exercisable**	**Remaining contractual life (years)**
0.65	685,000	September 25, 2018	685,000	0.24
0.25	1,600,000	February 24, 2020	1,600,000	1.65
0.46	1,420,000	July 15, 2021	1,420,000	3.04
0.46	250,000	September 14, 2021	250,000	3.21
0.46	250,000	October 26, 2021	250,000	3.33
0.68	750,000	September 29, 2022	250,000	4.25
0.52	550,000	May 20, 2023	-	4.89
	5,505,000		**4,455,000**	**2.66**

The weighted-average remaining contractual life of options outstanding at June 30, 2017 was 1.92 years.

c) Share-based payments

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the consolidated statements of loss for the year ended June 30, 2018 totalled $450,413 (2017: $795,373).

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

14 Share capital, option reserve and warrant reserve (continued)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2018	June 30, 2017
Risk–free interest rate	**1.75% - 2.22%**	0.58% - 0.73%
Expected life of options	**5.0 years**	1.1 – 5.0 years
Dividend rate	**Nil**	Nil
Expected forfeiture rate	**0%**	0% - 5%
Expected volatility	**108% - 109%**	110% - 117%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

d) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the years ended June 30, 2018 and June 30, 2017 were as follows:

		June 30, 2018			**June 30, 2017**
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Outstanding, beginning of year	38,246,845	$	0.72	38,487,598	$	0.76
Issued	17,151,403		0.88	21,526,529		0.90
Exercised	(943,000)		0.45	(12,290,608)		0.46
Expired	(7,772,441)		0.48	(9,476,674)		1.63
Outstanding, end of year	**46,682,807**	**$**	**0.82**	**38,246,845**	**$**	**0.72**

As at June 30, 2018, the Company had outstanding share purchase warrants as follows:

Number of warrants		**Exercise price**	**Expiry date**
1,693,125	$	0.65	December 3, 2018
7,504,875		0.50	March 31, 2019
500,000		0.50	April 4, 2019
516,600		0.50	July 14, 2019
2,311,538		0.68	April 27, 2020
5,356,804		1.00	March 24, 2021
13,960,000		0.91	June 9, 2022
2,676,250		0.91	July 13, 2022
11,924,615		0.91	July 19, 2022
239,000		0.91	September 14, 2022
46,682,807	**$**	**0.82**	

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in warrant reserve until exercised, at which time the fair value is reclassified to share capital.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

14 Share capital, option reserve and warrant reserve (continued)

The weighted average remaining life of the outstanding warrants as at June 30, 2018 was 3.03 years (June 30, 2017: 2.82 years).

In March 2017, the Company completed a warrant exercise incentive program (the "Program"), pursuant to which, the Company issued an aggregate of 5,356,804 common share purchase warrants to warrant holders who exercised their warrants under the Program. Each incentive warrant entitles the holder to purchase one additional common share at an exercise price of $1.00 until March 24, 2021. The incentive warrants were issued with a fair value of $1,851,136.

In July 2016, the Company issued 516,600 finders' warrants to parties at arm's length for a non-brokered private placement of unsecured convertible debentures. Each finders' warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.50 until July 14, 2019. The finders' warrants were issued with a fair value of $163,215.

During the year ended June 30, 2018, the Company issued an aggregate total of 17,151,403 warrants in relation to the private placements completed during the year. The fair value of warrants issued related to the private placements was $5,580,968.

The following assumptions were used for the Black–Scholes valuation of warrants issued and amended:

	June 30, 2018	June 30, 2017
Risk–free interest rate	**1.31%-1.63%**	0.55%-1.12%
Expected life of warrants	**3.5 years**	2-4 years
Dividend rate	**Nil**	Nil
Expected volatility	**115%-116%**	114%-122%
Fair value per warrant issued and/or amended	**$0.35-$0.37**	$0.21-$0.35

15 Finance costs (income)

		June 30, 2018		June 30, 2017
Interest on long term debt	**$**	**320,272**	$	1,039,063
Fair value loss (gain) on Gold Call Options		**100,196**		(290,233)
Interest income		**(316,636)**		(80,536)
	$	**103,832**	$	668,294

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

16 Income taxes

a) Income tax recovery

The following reconciles the expected income tax recovery at Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and loss for the years ended June 30, 2018 and 2017:

		June 30, 2018		June 30, 2017
Net loss before taxes	**$**	**(4,816,097)**	$	(5,011,219)
Statutory tax rate		**26.5%**		26%
Expected income tax recovery	**$**	**(1,276,266)**	$	(1,302,917)
Non-deductible items		**132,073**		222,503
Foreign tax rate difference		**1,869,767**		(437,448)
Change in deferred tax assets not recognized		**(725,574)**		997,885
Total income tax recovery	**$**	**-**	$	(519,977)

b) Deferred tax assets and liabilities

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at June 30, 2018 and 2017 are as follows:

		June 30, 2018		June 30, 2017
Tax loss carryforwards	**$**	**9,802,828**	$	6,127,764
Convertible debentures		**(588,994)**		(601,478)
Property, plant and equipment		**(4,305,729)**		(5,144)
Mining interests		**(4,707,979)**		(5,226,920)
Gold Call Options		**(200,126)**		(294,222)
Net deferred tax asset (liability)	**$**	**-**	$	-

The unrecognized deductible temporary differences are as follows:

		June 30, 2018		June 30, 2017
Property, plant and equipment	**$**	**-**	$	10,915
Mining interests		**1,040,278**		1,123,034
Financing costs		**1,449,222**		1,234,015
Provision for reclamation and remediation		**2,325,271**		2,078,876
Gold Call Options		**665,350**		543,560
Deferred gain or sale of investments		**3,737,827**		3,683,610
Tax loss carryforwards		**12,046,350**		10,578,821
Unrecognized deductible temporary differences	**$**	**21,264,298**	$	19,252,831

As at June 30, 2018, the Company had non-capital tax loss carryforwards in Canada of $4,157,910 which can be applied to reduce future Canadian taxable income and will expire between 2032 and 2038. In addition, the Company had net operating tax loss carryforwards in the United States of $37,773,966 (US$28,686,183) which can be applied to reduce future US taxable income and will expire between 2031 and 2038; and net operating tax loss carryforwards of $10,750,347 (US$8,163,994), which have an unlimited expiry period.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

17 Supplemental disclosure of non-cash activities

The following non-cash investing and financing activities occurred for the years ended June 30, 2018 and 2017:

		June 30, 2018		June 30, 2017
Convertible debentures financing finder's warrants	**$**	**-**	$	163,215
Shares issued as convertible debenture interest payment	**$**	**353,979**	$	317,382
Shares issued as long term debt fees	**$**	**598,538**	$	629,245
Fair value of Gold Call Options at issue	**$**	**-**	$	841,105
Changes in trade and other payables included in mining interests	**$**	**(7,162)**	$	(14,998)
Shares issued for mineral property acquisition	**$**	**96,000**	$	-
Changes in trade and other payables included in property, plant and equipment	**$**	**5,444,471**	$	3,171,636
Depreciation and accretion included in mining interests	**$**	**492,989**	$	368,644

18 Related party transactions

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Balances due (to) from related parties are as follows:

		June 30, 2018		June 30, 2017
Shared office expenses receivable	**$**	**5,525**	$	1,373
Consulting fees payable	**$**	**(389)**	$	(17,863)

Related party transactions are as follows:

	Note		**June 30, 2018**		June 30, 2017
Consulting fees	(i)	**$**	**295,000**	$	315,000
Shared office recovery	(ii)	**$**	**(34,607)**	$	(1,304)

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, salaries and wages, mining interests expenditures, and deferred financing costs.

(ii) Shared office expenses recovered from and charged to a company with directors in common are included in marketing, rent, travel, and office expenses.

Commitments with related parties

The Company has a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is $10,000 and renews annually.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

19 Key management personnel compensation

The remuneration of the Company's directors and other key management personnel for the years ended June 30, 2018 and 2017 is as follows:

		June 30, 2018		June 30, 2017
Salaries, fees and short-term benefits	**$**	**1,116,480**	$	946,186
Termination benefits	**$**	**-**	$	400,000
Share-based payments	**$**	**303,218**	$	488,595

Termination benefits are due to a one-time event and are not expected to occur annually.

20 Commitments

The Company has entered into contracts for leased premises, which expire at various dates through to December 2022. Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	$	215,488
2 to 3 years	$	193,201
4 to 5 years	$	46,909

21 Financial instruments and financial risk management

The carrying values of cash, accounts receivable, current portion of long term debt, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

21 Financial instruments and financial risk management (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 7,531,761	$ -	$ -	$ 7,531,761
Accounts receivable	33,805	-	-	33,805
	7,565,566	-	-	7,565,566
Financial Liabilities				
Trade and other payables	(9,515,040)	-	-	(9,515,040)
Current and long term debt	(36,809,916)	-	-	(36,809,916)
Gold Call Options	-	(665,350)	-	(665,350)
	$ (38,759,390)	$ (665,350)	$ -	$ (39,424,740)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Accounts receivable at June 30, 2018 related primarily to value-added taxes which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of budgets and forecasts, which are regularly monitored and updated as management considers necessary and through the Company's capital management activities.

21 Financial instruments and financial risk management (continued)

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the US dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At June 30, 2018, $1,993,174 (US$1,513,650) of the Company's cash and $31,743,658 (US$24,106,666) of the Company's debt were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately $702,940 on the consolidated statements of loss.

(ii) Commodity price risk

Commodity price risk is the risk that the current and future cash flows from the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and US dollar, as outlined above. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows. Fluctuations in gold prices affect the fair market value of the Gold Call Options as the fair value is based on the market price of gold at the end of each period. A 10% fluctuation in the price of gold would result in an impact of approximately $503,249 (US$382,176) on the consolidated statements of loss.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates, and is exposed to interest rate risk on its outstanding borrowings. The Company also pays interest monthly for its senior secured credit facility, at an annual interest rate of 8% plus the greater of twelve month USD LIBOR or 1.25%. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by $248,729 (US$188,889). The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

22 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern (Note 1) while maximizing the return to stakeholders through the optimization of the debt and equity. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company's working capital and future cash flow forecasts are prepared by management and reviewed and approved by the Board of Directors. The Company continually makes strategic and financial adjustments according to market conditions to meet its objectives.

The capital structure of the Company consists of non-current debt, equity comprised of share capital, share option reserve, warrant reserve, equity component of convertible debentures, accumulated other comprehensive loss and deficit.

The Company is in compliance or has received waivers for externally imposed debt covenants relating to its debt facilities (Note 10) and lease obligations (Note 11) as at June 30, 2018.

23 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and development of mineral properties. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

						June 30, 2018
		Canada		**USA**		**Total**
Property, plant and equipment	$	21,667	$	71,441,095	$	71,462,762
Restricted cash and reclamation deposits		-		2,324,864		2,324,864
Mining interests		-		30,156,454		30,156,454
	$	**21,667**	**$**	**103,922,413**	**$**	**103,944,080**

						June 30, 2017
		Canada		**USA**		**Total**
Property, plant and equipment	$	15,960	$	17,051,619	$	17,067,579
Restricted cash and reclamation deposits		-		1,161,837		1,161,837
Mining interests		-		28,365,380		28,365,380
	$	**15,960**	**$**	**46,578,836**	**$**	**46,594,796**

24 Subsequent events

Subsequent to June 30, 2018:

- the Company amended the repayment terms of its MLA (Note 11). An existing security deposit was used to pay US$575,750, inclusive of a restructuring fee, due on October 1, 2018. The security deposit will be repaid in two installments of US$287,875 due January 1, 2020 and April 1, 2020.
- 500,000 shares were issued from the conversion of 250,000 convertible debentures related to the July 14, 2016 private placement.
- 685,000 stock options of the Company with an exercise price of $0.65 expired.
- the Company achieved commercial production at the Moss Mine.

24 Subsequent events (continued)

- the Company extended the maturity date of its senior secured facility (Note 10) from November 2019 to December 2020. As part of the amendment monthly principal payments of US$1,111,111 were waived from July 2018 to October 2018 and will recommence November 2018 in monthly instalments of US$500,000. As part of the amendment the Company will issue 1,250,000 common shares to the lender and the exercise price of the Gold Call Options (Note 12) were reduced from US$1,275 to US$1,200.

- the Company announced a non-brokered private placement of up to approximately 21,666,667 Units ("each Unit") at a purchase price of $0.30 per Unit for aggregate gross proceeds of up to $6,500,000. Each Unit issued in connection with the private placement will consist of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at an exercise price of $0.45 for a period of 24 months from the closing date of the private placement. Finders' fees within TSX Venture Exchange (the "Exchange") policy guidelines may be paid in cash or common shares in connection with the private placement.

- the Company entered into a non-binding indicative term sheet with a third party whereby the parties intend to enter a definitive precious metal purchase agreement (the "PMPA"). Under the terms of PMPA the Company will receive a US$8,500,000 upfront payment in exchange for agreeing to sell 45% of silver production from the Moss Mine at an ongoing purchase price equal to 30% of the lesser of the average silver price for the calendar quarter and the spot price of silver at the time of delivery. After the purchase of 1,500,000 ounces of silver from the Company the amount of silver purchasable under the PMPA will be reduced to 22.5% of all silver production from the Moss Mine for the remaining life of mine. Under the PMPA the Company also has the option to increase the upfront payment by US$5,000,000 in exchange for the purchaser having the right to purchase 75% of silver production until the delivery of 2,500,000 ounces of silver. After the delivery of 2,500,000 ounces of silver the purchaser's rights return to 37.5% of silver production for the remaining life of the Moss Mine. The PMPA remains subject to the fulfilment of a number of conditions precedent including the negotiation and execution of definitive documentation, the completion of due diligence and receipt of all necessary regulatory approvals, including the approval of the Exchange.