Condensed Consolidated Interim Financial Statements of

AURION RESOURCES LTD.

For the three and six months ended June 30, 2019 and 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Aurion Resources Ltd. for the three and six months ended June 30, 2019 and 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	As at June 30, 2019	As at December 31, 2018
	$	$
ASSETS		
CURRENT		
Cash	**6,431,520**	1,475,556
Short-term investments (Note 5)	**3,621,809**	7,625,533
Reclamation deposit	**125,841**	125,841
Receivables	**1,070,567**	772,500
Prepaid expenses	**426,089**	133,303
Marketable securities (Note 6)	**3,024,000**	1,197,000
	14,699,826	11,329,733
EXPLORATION AND EVALUATION ASSETS (Note 7)	**18,295,528**	14,546,944
PROPERTY AND EQUIPMENT (Note 8)	**426,755**	210,431
	33,422,108	26,087,108
LIABILITIES		
Current		
Trade payables and accrued liabilities	**1,036,693**	839,986
Lease liability (Note 3)	**20,025**	-
Total current liabilities	**1,056,718**	839,986
Non-current		
Lease liability (Note 3)	**121,125**	-
Deferred share unit liability (Note 9)	**173,548**	22,477
Total non-current liabilities	**294,673**	22,477
Total Liabilities	**1,351,391**	862,463
SHAREHOLDERS' EQUITY (Note 9)	**32,070,717**	25,224,645
	33,422,108	26,087,108

BASIS OF PREPARATION (Note 2)
SUBSEQUENT EVENTS (Note 12)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON August 28, 2019:

"Michael Basha" Director *"David Loveys"* Director

See accompanying notes to the condensed consolidated interim financial statements

AURION RESOURCES LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian Dollars - unaudited)

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	**For the six months ended June 30, 2019**	For the six months ended June 30, 2018
			$	$
INCOME				
Interest income	**37,824**	64,270	**64,253**	121,202
Administration fee income	**27,862**	-	**32,641**	-
Gain on property transactions	**1,973,695**	-	**1,973,695**	-
	2,039,381	64,270	**2,070,589**	121,202
EXPENSES				
Share-based payments (Notes 9 and 12)	**181,206**	-	**417,243**	-
Wages and benefits (Note 11)	**165,887**	207,031	**376,742**	452,987
General and administrative	**214,188**	191,158	**380,236**	353,462
Professional fees	**30,522**	33,020	**51,482**	66,709
Depreciation (Note 8)	**26,118**	23,249	**64,494**	44,067
Accounting	**28,126**	7,050	**40,654**	14,583
Write-down of exploration and evaluation assets (Note 7)	**-**	72,856	**13,106**	72,856
Consulting fees	**4,750**	4,340	**10,620**	7,055
Property investigation costs	**-**	14,599	**-**	19,821
Interest and bank charges	**5,008**	1,527	**6,594**	3,852
Unrealized loss (gain) on marketable securities (Note 6)	**(72,000)**	12,000	**3,000**	47,000
Gain on sale of marketable securities (Note 6)	**-**	-	**-**	(121,663)
Foreign exchange (gain) loss	**45,676**	62,890	**44,217**	(23,375)
	(629,483)	(629,721)	**(1,408,388)**	(937,354)
Net Income (Loss) and Comprehensive Income (Loss) for the Period	**1,409,898**	(565,451)	**662,201**	(816,152)
Income (Loss) per Common Share - Basic and Diluted	**0.019**	(0.008)	**0.009**	(0.012)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	**74,979,055**	69,208,708	**72,189,297**	69,168,294

See accompanying notes to the condensed consolidated interim financial statements

AURION RESOURCES LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars - unaudited)

		Share capital	**Warrants**	**Share-based payment reserve**	**Expired stock options and warrants reserve**	**Deficit**	**Total equity**
	Number of shares	$	$	$	$	$	$
Balance, December 31, 2017	68,923,708	34,583,719	424,226	3,765,560	3,294,203	(15,475,871)	26,591,837
Total comprehensive loss for June 30, 2018						(250,701)	(250,701)
Shares issued for private placements	-	-	-	-	-	-	-
Expiry of stock options	-	-	-	(314,280)	314,280	-	-
Exercise of stock options	285,000	108,598	-	(36,998)	-	-	71,600
Exercise of finders' warrants	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-
Balance, June 30, 2018	69,208,708	34,692,317	424,226	3,414,282	3,608,483	(15,726,572)	26,412,736
Balance, December 31, 2018	69,383,708	34,764,976	424,226	4,684,116	3,608,483	(18,257,156)	25,224,645
Total comprehensive income (loss) for June 30, 2019						662,201	662,201
Shares issued for private placements	6,166,300	6,474,615	161,853	-	-	-	6,636,468
Expiry of stock options	-	-	-	-	-	-	-
Exercise of stock options	15,000	7,795	-	(3,895)	-	-	3,900
Expiry of finders' warrants	-	-	(424,226)	-	424,226	-	-
Share-based payments - stock options	-	-	-	266,172	-	-	266,172
Share issuance costs	-	(722,669)	-	-	-	-	(722,669)
Balance, June 30, 2019	75,565,008	40,524,717	161,853	4,946,393	4,032,709	(17,594,955)	32,070,717

See accompanying notes to the condensed consolidated interim financial statements

AURION RESOURCES LTD.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
	$	$
OPERATING ACTIVITIES		
Net income (loss)	**662,201**	(4,761,376)
Items not affecting cash:		
Depreciation	**64,494**	28,728
Accrued interest income	**(43,170)**	(59,425)
Unrealized loss (gain) on marketable securities	**3,000**	(119,198)
Share-based payments	**417,242**	3,451,032
Write-down of exploration and evaluation assets	**13,106**	141,491
Changes in non-cash operating working capital (Note 10)	**394,145**	(184,972)
	1,511,018	(1,503,720)
INVESTING ACTIVITIES		
Exploration and evaluation expenditures, net	**(5,935,826)**	(4,302,127)
Interest income received	**146,894**	53,939
Short-term investments	**3,900,000**	(7,087,192)
Reclamation deposit	**-**	(22,164)
Right of use asset capitalized to property and equipment upon adoption of new accounting policy (Note 3)	**(160,500)**	-
Purchase of property and equipment	**(280,818)**	(169,808)
	(2,330,250)	(11,527,352)
FINANCING ACTIVITIES		
Proceeds from issuance of share capital - net	**5,755,846**	24,134,209
Payment of lease liabilities	**19,350**	-
	5,775,196	24,134,209
INCREASE (DECREASE) IN CASH	**4,955,964**	11,103,137
CASH, BEGINNING OF PERIOD	**1,475,556**	666,662
CASH, END OF PERIOD	**6,431,520**	11,769,799

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 10)

See accompanying notes to the condensed consolidated interim financial statements

1. DESCRIPTION OF BUSINESS

Aurion Resources Ltd. (the "Company") was incorporated under the *Business Corporations Act (Alberta)* on April 6, 2006 and was continued into British Columbia on August 10, 2018 under the *Business Corporations Act (British Columbia).* The Company was listed on the TSX Venture Exchange (the "Exchange") on October 3, 2008. The Company has its registered head office at 6204 125th Street, Surrey, BC, Canada, and its principal office is 120 Torbay Road, Suite W240, St. John's, Newfoundland and Labrador, Canada. The Company and its wholly-owned subsidiaries, are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, Mexico, the United States, Sweden and Finland. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These condensed consolidated interim financial statements (the "financial statements") for the three and six months ended June 30, 2019 were authorized for issuance by the Board of Directors of the Company on August 28, 2019.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

These financial statements reflect the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries: Minera Aurion de Mexico S.A. de C.V., Aurion Resources (US) LLC, Aurion Resources AB, Aurion Resources Oy and FennoEx Oy. All inter-company transactions and balances have been eliminated upon consolidation.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has continuous losses, and at June 30, 2019, the Company had an accumulated deficit of $17,594,955 (December 31, 2018 - $18,257,156). However, management has assessed that the working capital is sufficient for the Company to continue as a going concern beyond one year. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company's ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty.

2. BASIS OF PREPARATION (Continued)

The amounts shown as exploration and evaluation assets represent net costs to date less write-offs and do not necessarily represent present or future values. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the statement of financial position classifications used.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial assets classified as at fair value through profit or loss, which are measured at fair value. Additionally, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Currency of presentation

All amounts are expressed in Canadian dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended December 31, 2018. These financial statements have been prepared using the same accounting policies as described in the Company's December 31, 2018 consolidated financial statements.

Adoption of new accounting policy – IFRS 16 Leases

Impact of application of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the comparative numbers for 2018 are not restated and the cumulative effect of applying IFRS 16 has been recorded on January 1, 2019 for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening accumulated deficit balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases under IFRS 17 and requiring the recognition of a right-of-use asset (ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease term of 12 months or less) and leases of low value assets.

(Expressed in Canadian Dollars - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measures at the present value of the future lease payment: (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of operations and comprehensive income (loss): and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented in operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within general and administrative in the statement of operations and comprehensive loss.

The Company has opted to use the following practical expedients available on transition to IFRS 16:

(a) Measure the ROU assets equal to the lease liability calculated for each lease;
(b) Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively; and
(c) Accounting for non-lease components and lease components as a single lease component.

In transitioning to IFRS 16, the Company reviewed its contracts to identify whether they are or contain a lease arrangement. This review identified one lease contract that resulted in an equivalent increase of $160,500 to both the Company's ROU assets and lease liabilities.

The cumulative effect of the changes made to the consolidated statement of financial position as at January 1, 2019 for the adoption of IFRS 16 is as follows:

	As previously reported	Effect of change in accounting policy	As reported under new accounting policy
Property and equipment	$ -	$ 160,500.00	$ 160,500.00
Lease liability (current)	-	(39,375)	(39,375)
Lease liability (non-current)	-	(121,125)	(121,125)
	$ -	$ -	$ -

The operating lease obligations as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

Operating lease obligations as at December 31, 2018	$ 32,250.00
Effect from discounting at the incremental borrowing rate as at January 1, 2019	-
Lease liabilities due to intial application of IFRS 16 at January 1, 2019	$ 32,250.00

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at the beginning of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which the lessee, at the commencement of the lease, with the following exceptions (i) the Company has elected not to recognize the ROU assets and liabilities for leases where the total lease term is less than to equal to 12 months, or (ii) for leases of low value. The payments for short-term leases or leases of low value are recognized in the consolidated statement of operations and comprehensive income (loss) on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of the lease payments, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying assets. The ROU asset is subject to testing for impairment if there is and indicator for impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and the lease liability is presented as a separate line in the consolidate statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of operations and comprehensive income (loss).

Lease liabilities

The Company has one lease agreement for office space. The Company did not incur any variable lease payments and there were no leases with residual value guarantees or no leases not yet commenced to which the Company is committed.

	As at June 30, 2019
Lease liabilites	$ 141,150.00
Less, current portion	(20,025)
Long-term portion	$ 121,125.00

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

	As at June 30, 2019
Undiscounted lease liabilites	$ 141,150.0
Not later than one year	(20,025)
Later than one year and not later than five years	(121,125)
	$ -

4. CAPITAL MANAGEMENT

The capital structure of the Company consists of capital and equity comprising share capital, warrants, reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis which remains unchanged from the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities
Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means
Level 3 – valuation techniques with significant unobservable market inputs

The Company does not have any level 2 or 3 fair value measurements, and there have been no transfers between levels.

(Expressed in Canadian Dollars - unaudited)

5. FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2019	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	$	$	$	$
Cash	6,431,520	-	-	6,431,520
Short-term investments	3,621,809	-	-	3,621,809
Marketable securities	3,024,000	-	-	3,024,000
Total financial assets	13,077,329	-	-	13,077,329

Financial Risk Factors

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, which are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables, which is mainly comprised of government tax refunds. Management believes that the credit risk concentration with respect to financial instruments included in the receivables is not significant. The Company holds cash and invests it in interest bearing deposit accounts at its financial institution. Management believes that the associated credit risk for its invested cash is low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at June 30, 2019, the Company had cash of $6,431,520 to settle current liabilities of $1,056,718. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All of the Company's financial liabilities are short-term in nature and are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its financial instruments.

(a) Interest rate risk – The Company has cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in either interest bearing deposit accounts or Guaranteed Income Certificates ("GICs") issued by its financial institutions. As of June 30, 2019, the Company held deposits in short-term savings accounts at a variable interest rate. A 0.5% change in interest rates would change the Company's net loss by approximately $18,109. Management believes it has minimal exposure to interest rate risk.

5. FINANCIAL INSTRUMENTS (Continued)

The Company's short-term investments are comprised of GICs held with Canadian financial institutions which accrue interest at an average rate of 1.53%. As at June 30, 2019, the Company holds three GICs with a combined principal of $3,600,000 (December 31, 2018 – six GICs with a combined principal of $7,500,000). As at June 30, 2019, the carrying value of the Company's short-term investments includes $21,809 of accrued interest (December 31, 2018 – $125,533).

(b) Foreign exchange risk - The Company transacts certain business in Euro, Swedish Kroner, U.S. Dollars and Mexican Pesos, and therefore is subject to foreign exchange risk on certain receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its foreign exchange inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal.

The following table shows the net exposures in US dollars, Swedish Kroner and Euro at June 30, 2019.

	US$	Euro	SEK
Cash	38,051	1,141,628	3,598,823
Receivables	-	601,807	82,745
Trade payables	(14,005)	(333,354)	(238,475)
Net currency exposure	24,046	1,410,081	3,443,093

Based on the above currency exposures, a 10% change in the value of each currency to the value of the Canadian dollar would impact the Company's net loss by:

US$	Euro	SEK
2,405	141,008	344,309

(c) Equity risk – The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2019 value of the marketable securities every 10% increase or decrease in the share prices of these companies would have impacted the loss for the period, up or down, by approximately $302,400 (2018 - $35,300).

(Expressed in Canadian Dollars - unaudited)

6. MARKETABLE SECURITIES

Marketable securities consist of common shares listed on an active market that have been received pursuant to mineral property option agreements (Note 8). Changes in marketable securities outstanding are as follows:

	Total $
Cost	
December 31, 2018	**999,000**
Additions	**1,830,000**
Disposals	**-**
June 30, 2019	**2,829,000**
Fair Value	
December 31, 2018	**1,197,000**
Additions	**1,830,000**
Disposals	**-**
Realized gain	**-**
Unrealized loss	**(3,000)**
June 30, 2019	**3,024,000**
Cost	
December 31, 2017	**373,920**
Additions	**-**
Disposals	**(16,920)**
June 30, 2018	**357,000**
Fair Value	
December 31, 2017	**481,150**
Additions	**-**
Disposals	**(214,813)**
Realized gain	**121,663**
Unrealized gain	**(47,000)**
June 30, 2018	**341,000**

The valuation of these shares has been determined in whole by reference to the bid price of the shares on the Exchange or the Canadian Securities Exchange ("CSE") at each reporting period.

(Expressed in Canadian Dollars - unaudited)

7. EXPLORATION AND EVALUATION ASSETS

As at June 30, 2019

Geographical Area	Balance, Beginning of Year	Additions	Receipts From Partners	Properties Written Down	Property Income	Balance, End of Period
	$	$	$	$	$	$
Finland	13,608,827	4,675,218	(2,982,828)	(9,812)	1,973,695	17,265,100
Sweden	337,099	92,311	-	-		429,410
United States	601,018	-	-	-	-	601,018
Mexico	-	3,294	-	(3,294)	-	-
	14,546,944	4,770,823	(2,982,828)	(13,106)	1,973,695	18,295,528

As at December 31, 2018

Geographical Area	Balance, Beginning of Year	Additions	Receipts From Partners	Properties Written Down	Balance, End of Year
	$	$	$	$	$
Finland	5,774,951	8,545,596	(642,000)	(69,720)	13,608,827
Sweden	234,850	102,249	-	-	337,099
United States	494,114	106,904	-	-	601,018
Mexico	-	6,530	-	(6,530)	-
	6,503,915	8,761,279	(642,000)	(76,250)	14,546,944

(a) On August 13, 2015, the Company signed a binding Letter Agreement with B2Gold Corp. (“B2Gold”), granting B2Gold the right to earn up to an undivided 75% interest of an approximately 25,000 ha project area that includes the Kutuvuoma and Ahvenjarvi projects in Finland. On January 18, 2016, the Company formalized a definitive Option Agreement with B2Gold consistent with the terms of the binding Letter agreement signed on August 12, 2015.

Under the terms of the Option Agreement B2Gold must complete $5,000,000 in exploration expenditures, pay the Company $50,000 cash and issue 550,000 B2Gold shares over 4 years to earn an initial 51% interest. B2Gold can earn an additional 19% interest by spending a further $10,000,000 over 2 years. B2Gold can earn an additional 5% interest (for a total of 75%) by completing a bankable feasibility study. The first-year commitment of $750,000 in exploration expenditures, including 2,000 meters of drilling and payment of $50,000 cash and 50,000 B2Gold shares, is guaranteed. The Company received a total of 350,000 B2Gold shares to June 30, 2019 (Note 6).

7. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) On January 6, 2011, the Company signed an Option Agreement with Genesis Gold Corp ("Genesis"), whereby it has an option to purchase a 100% interest in the Bull Property in east-central Nevada, subject to a 2% NSR, by making annual cash payments starting at US$10,000 (paid) increasing to a maximum US$125,000 beginning in 2016. The option to purchase can be executed at any time by making a one-time cash payment of US$3,000,000 less any payments already made.

On December 17, 2015, the Company signed a Letter Agreement to amend the terms of the Bull Option Agreement. Under the terms of the amendment, the lease payment for 2016 was reduced to US$10,000 and the lease payments for the years 2017 through 2027 were to remain at US$125,000 per year.

On November 5, 2016, the Company signed a Letter Agreement to amend the terms of the Bull Property Option Agreement with Genesis for the second time. Under the terms of the amendment, the lease payment for 2017 will be waived and the lease payments for the years 2018 through 2027 will remain at US$125,000 per year.

On December 1, 2017, the Company entered into a Restated Mineral Lease and Option to Purchase Agreement to replace the original agreement entered into with Genesis on January 6, 2011 for the Bull Property. Under the terms of the restated agreement, the annual lease payments will resume on December 1, 2018 at US$10,000 and increase annually to US$95,000 by 2028. Lease payments for the years 2029 through 2031 will be at US$100,000 per year.

(c) On January 31, 2018, the Company signed a non-binding Letter of Intent ("LOI") with Kinross Gold Corporation ("Kinross"), granting Kinross the right to earn up to an undivided 70% interest in the Outa project, an area covering approximately 15,000 ha in Northern Finland. Under the terms of the LOI, Kinross must spend US$5,000,000 over 5 years to earn a 70% interest in the project and Kinross has agreed to expend a firm US$1,000,000 on exploration of the project within the first 2 years.

On August 17, 2018, the Company entered into an Option Agreement with Kinross pursuant to the terms of the LOI signed on January 31, 2018.

(d) On April 24, 2019, the Company entered into an option agreement with Strategic Resources Inc. ("Strategic") granting Strategic the option to earn a 100% interest in the Company's wholly owned Silasselka Vanadium Project in northern Finland. Under the terms of the option agreement, Strategic may acquire up to 100% interest in the project by paying $500,000 cash, issuing 8,000,000 Strategic shares and incurring $3,000,000 in exploration expenditures, through a two stage earn-in over a period of three years. At June 30, 2019 the Company had received $500,000 cash and 3,000,000 Strategic shares at a fair value of $1,830,000 (Note 6). The carrying value of the Silasselka Property was reduced to Nil and the remaining amount of $1,973,695 was recorded as a gain on property transactions in income.

(Expressed in Canadian Dollars - unaudited)

8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Right of use asset	Computers	Furniture Equipment	Total
	$	$	$	$	$
Cost:					
At December 31, 2018	28,700	-	169,256	186,501	384,457
Recognition of right of use asset upon initial adoption of accounting policy (Note 2)	-	160,500	-	-	160,500
Additions	-	-	78,808	60,859	139,667
Disposals	-	-	(30,772)	(7,554)	(38,326)
At June 30, 2019	28,700	160,500	217,292	239,806	646,298
Depreciation:					
At December 31, 2018	16,400	-	115,347	42,279	174,026
Additions	8,200	19,350	38,023	18,271	83,844
Disposals	-	-	(30,772)	(7,554)	(38,326)
At June 30, 2019	24,600	19,350	122,597	52,996	219,543
Carrying value:					
At December 31, 2018	12,300	-	53,909	144,222	210,431
At June 30, 2019	**4,100**	**141,150**	**94,695**	**186,810**	**426,755**

	Leasehold Improvements	Computers	Furniture and Equipment	Total
	$	$	$	$
Cost:				
At December 31, 2017	-	109,489	64,545	174,034
Additions	28,700	27,892	88,529	145,121
Disposals	-	-	-	-
At June 30, 2018	28,700	137,381	153,074	319,155
Depreciation:				
At December 31, 2017	-	29,804	936	30,740
Additions	8,200	24,673	11,195	44,068
Disposals	-	-	-	-
At June 30, 2018	8,200	54,477	12,131	74,808
Carrying value:				
At December 31, 2017	-	79,685	63,609	143,294
At June 30, 2018	**20,500**	**82,904**	**140,943**	**244,347**

9. SHAREHOLDERS' EQUITY

Share Capital

Authorized

An unlimited number of common shares with no par value
An unlimited number of preferred shares issuable in series

On March 1, 2019, the Company issued 15,000 common shares pursuant to the exercise of stock options for gross proceeds of $3,900 ($0.26 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of $3,895 in connection with the exercise.

On April 10, 2019, the Company announced the completion of a brokered and a non-brokered private placement for an aggregate of 6,166,300 common shares issued at a price of $1.05 for gross proceeds of $6,474,615.

Under the brokered financing, a total of 5,476,300 common shares were issued at a price of $1.05 for gross proceeds of $5,750,115. The brokered financing was led by Haywood Securities Inc. on behalf of a group of underwriters (the "underwriters") which included Canaccord Genuity Corp., Medalist Capital Ltd., Sprott Capital Partners LP and PI Financial Corp. In consideration for their services, the underwriters received a cash commission of $345,007, equal to 6.0% of the gross proceeds of the brokered private placement and 328,578 broker warrants, equal to 6.0% of the common shares issued under the brokered private placement. The broker warrants can be exercised to purchase common shares at $1.05 for a period of two years. The fair value of the broker warrants granted was estimated at $161,853 ($0.49 per warrant) based on the Black-Scholes pricing model, with the following assumptions: risk-free interest rate of 1.46%, volatility of 87%, dividend yield of 0%, forfeiture rate of 0% and an expected life of 2 years. The Company incurred other costs of $215,808 for total share issuance costs in connection with the brokered and non-brokered private placement of $722,688.

Under the non-brokered financing, a total of 690,000 common shares were issued for gross proceeds of $724,500. The non-brokered financing was fully subscribed by Kinross who exercised their pro rata right granted pursuant to a prior financing to maintain a 9.98% interest in the issued and outstanding shares of the Company.

Issued during the year ended December 31, 2018:

On January 22, 2018, the Company issued 250,000 common shares pursuant to the exercise of stock options for gross proceeds of $62,500 ($0.25 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of $27,910 in connection with the exercise.

On March 1, 2018, the Company issued 35,000 common shares pursuant to the exercise of stock options for gross proceeds of $9,100 ($0.26 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of $9,088 in connection with the exercise.

9. SHAREHOLDERS' EQUITY (Continued)

On August 27, 2018, the Company issued 175,000 common shares pursuant to the exercise of stock options for gross proceeds of $37,500 (125,000 options at $0.26 per share and 50,000 options at $0.10 per share). The Company also recorded a fair value transfer between share-based payment reserve and share capital of $35,157 in connection with the exercise.

Preferred shares

The preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued from incorporation to June 30, 2019.

Deferred Share Units

The Company has a Deferred Share Unit Plan ("DSU Plan") under which Deferred Share Units may be granted to directors, officers and employees of the Company. The purpose of the Company's DSU Plan is to advance the interests of the Company by: (i) aligning the interests of directors, officers and employees with the interests of the shareholders; (ii) encouraging directors, officers and employees to remain associated with the Company; and (iii) furnishing directors, officers and employees with an additional incentive in their efforts on behalf of the Company. DSUs are redeemable upon departure from the Company, at the holder's option, and will be settled in cash from the general assets of the Company. The fair value of DSUs granted will be recorded as a bookkeeping entry on the books of the Company, the value of which on any particular date being equal to the market value of the Company shares.

On July 31, 2018, the Company granted 92,592 DSUs to certain officers under its DSU Plan at a market value of $0.81 per DSU. These DSUs will vest one third on each of July 31, 2019, July 31, 2020, and July 31, 2021.

On December 18, 2018, the Company granted 141,509 DSUs to certain officers under its DSU Plan at a market value of $1.06 per DSU. These DSUs will vest one third on each of December 31, 2019, December 31, 2020, and December 31, 2021.

During the year ended December 31, 2018 the Company recognized $22,477 in share-based payment expense relating to DSUs outstanding with the offset recorded as a deferred share unit liability.

On April 26, 2019, the Company granted 75,000 DSUs to certain officers under its DSU Plan at a market value of $1.00 per DSU. These DSUs will vest one third on each of April 26, 2020, April 26, 2021, and April 26, 2022.

(Expressed in Canadian Dollars - unaudited)

9. SHAREHOLDERS' EQUITY (Continued)

On May 14, 2019, the Company granted 41,307 DSUs to certain officers under its DSU Plan at a market value of $0.97 per DSU. These DSUs will vest one third on each of May 14, 2020, May 14, 2021, and May 14, 2022.

On June 30, 2019, the Company granted 55,147 DSUs to certain officers under its DSU Plan at a market value of $1.36 per DSU. These DSUs will vest one third on each of June 30, 2020, June 30, 2021, and June 30, 2022.

During the six months ended June 30, 2019 the Company recognized $151,071 in share-based payment expense relating to DSUs outstanding with the offset recorded as a deferred share unit liability.

Changes in DSU's outstanding are as follows:

	June 30, 2019	
	Granted	**Vested**
Balance, December 31, 2018	**234,101**	-
Granted	**171,385**	-
Vested	-	-
Balance, June 30, 2019	**405,486**	-

	December 31, 2018	
	Granted	**Vested**
Balance, December 31, 2017	-	-
Granted	**234,101**	-
Vested	-	-
Balance, December 31, 2018	**234,101**	-

Stock options

The Company has a Stock Option Plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company. The maximum number of options which may be granted to directors, officers, key employees and consultants of the Company, under the stock option plan is equivalent to 10% of the issued and outstanding common shares of the Company. The exercise price for the options is set by the Company at an amount equal to the Exchange trading price on the day preceding the date the options are granted, less any applicable discount as permitted by the Exchange policies as decided by the Company. The exercise period for the options is determined by the Company at the time the options are granted and shall not exceed ten years. Vesting terms for the options are also determined by the Company at the time of grant.

(Expressed in Canadian Dollars - unaudited)

9. SHAREHOLDERS' EQUITY (Continued)

Changes in stock options outstanding are as follows:

	June 30, 2019	
	Number	**Weighted-Average Exercise Price ($)**
Balance, December 31, 2018	**6,250,000**	**0.95**
Granted	**-**	**-**
Exercised	**(15,000)**	**(0.26)**
Expired	**-**	**-**
Balance, June 30, 2019	**6,235,000**	**0.95**

	December 31, 2018	
	Number	**Weighted-Average Exercise Price ($)**
Balance, December 31, 2017	**4,825,000**	**0.86**
Granted	**2,335,000**	**1.07**
Exercised	**(460,000)**	**0.24**
Expired	**(450,000)**	**1.33**
Balance, December 31, 2018	**6,250,000**	**0.95**

The following table summarizes information about stock options outstanding and exercisable:

	Total Outstanding Options			Total Exercisable Options		
Exercise Price ($)	**Number of Outstanding Options**	**Remaining Contractual Life**	**Weighted-Average Exercise Price ($)**	**Number of Exercisable Options**	**Remaining Contractual Life**	**Weighted-Average Exercise Price ($)**
0.10	2,000,000	1.56	0.10	2,000,000	1.56	0.10
0.26	175,000	2.01	0.26	175,000	2.01	0.26
1.00	400,000	3.56	1.00	200,000	3.56	1.00
1.05	275,000	4.47	1.05	-	4.47	1.05
1.10	1,410,000	3.69	1.10	705,000	3.69	1.10
1.75	1,975,000	2.79	1.75	1,975,000	2.79	1.75
	6,235,000	3.01	0.95	5,055,000	3.01	0.92

9. SHAREHOLDERS' EQUITY (Continued)

Share-based payment reserve

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

During the six months ended June 30, 2019, the Company recorded share-based payment expense of $75,940 which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

During the year ended December 31, 2018, the Company recorded share-based payment expense of $1,304,993, which represents the fair value of stock options vested, granted and accrued with offsetting amount credited to reserves.

On January 23, 2018, the Company granted 650,000 stock options to directors, officers, employees and consultants, exercisable at a price of $1.00 per share until January 23, 2023. The fair value of the stock options granted was estimated at $547,103 ($0.84 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.77%, volatility of 144.6%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on July 23, 2018 and 50% on January 23, 2019. During the year ended December 31, 2018, the Company recognized $9,916 in share-based payment expense relating to these stock options.

On March 7, 2018, the Company granted 1,410,000 stock options to directors, officers, employees and consultants, exercisable at a price of $1.10 per share until March 7, 2023. The fair value of the stock options granted was estimated at $1,065,037 ($0.76 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 1.94%, volatility of 141.7%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on September 7, 2018 and 50% on March 7, 2019. During the year ended December 31, 2018, the Company recognized $98,463 in share-based payment expense relating to these stock options.

On December 18, 2018, the Company granted 275,000 stock options to directors, officers, employees and consultants, exercisable at a price of $1.05 per share until December 18, 2023. The fair value of the stock options granted was estimated at $221,302 ($0.81 per option) based on the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 2.26%, volatility of 134.0%, dividend yield of 0%, forfeiture rate of 0%, and an expected life of 5 years. The stock options will vest in two tranches, 50% on June 18, 2019 and 50% on December 18, 2019. During the year ended December 31, 2018, the Company recognized $81,853 in share-based payment expense relating to these stock options.

Expired stock options and warrants reserve

The expired stock options and warrants reserve records the value of any stock options or warrants that have expired unexercised.

(Expressed in Canadian Dollars - unaudited)

9. SHAREHOLDERS' EQUITY (Continued)

Warrants

Changes in warrants outstanding are as follows:

	Number	Weighted-Average Exercise Price ($)
Balance, December 31, 2018	321,291	1.32
Issued	328,579	1.05
Expired	(321,291)	(1.32)
Balance, June 30, 2019	328,579	1.05

10. SUPPLEMENTAL CASH FLOW INFORMATION

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
	$	$
Non-cash investing and financing activities		
Exploration and evalution costs remaining in trade payables and accrued liabilites	**828,578**	286,356
Exploration and evalution costs remaining in receivables	**712,517**	19,707

	For the six year ended June 30, 2019	For the six months ended June 30, 2018
	$	$
Changes in non-cash operating working capital		
Change in receivables	**298,067**	88,307
Change in prepaid expenses	**292,786**	10,350
Change in trade payables and accrued liabilities	**(196,707)**	(226,335)
	394,145	(127,678)

(Expressed in Canadian Dollars - unaudited)

11. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with key management of the Company:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	$	$
Compensation for key management				
Michael Basha, CEO	**104,296**	134,255	**195,308**	174,255
Mark Serdan, CFO	**70,869**	218,929	**131,075**	256,429
Other Directors	**-**	99,008	**13,968**	99,008
	175,165	452,192	**340,351**	529,692
Amounts expensed as:				
Salary and other short-term benefits for the CEO	**50,000**	50,000	**100,000**	100,000
Salary and other short-term benefits for the CFO	**37,500**	37,500	**75,000**	75,000
Directors' Fees	**-**	-	**-**	-
Share-based compensation	**87,665**	364,692	**165,351**	354,692
	175,165	452,192	**340,351**	529,692

12. SUBSEQUENT EVENTS

On July 31, 2019, the Company announced the completion of a brokered and a non-brokered private placement for an aggregate of 7,403,666 common shares issued at a price of $1.50 for gross proceeds of $11,105,499.

Under the brokered private placement, a total of 6,666,666 common shares were issued at a price of $1.50 for gross proceeds of $9,999,999. The brokered private placement was led by Cormark Securities Inc. on behalf of a group of underwriters (the "underwriters") which included Canaccord Genuity Corp., Medalist Capital Ltd., Sprott Capital Partners LP and PI Financial Corp. In consideration for their services, the underwriters received a cash commission of $600,000, equal to 6.0% of the gross proceeds of the brokered financing and 400,000 broker warrants, equal to 6.0% of the common shares issued under the brokered financing. The broker warrants can be exercised to purchase common shares at $1.50 for a period of two years.

Under the non-brokered financing, a total of 737,000 common shares were issued for gross proceeds of $1,105,500. The non-brokered financing was fully subscribed by Kinross who exercised their pro rata right granted pursuant to a prior financing to maintain a 9.98% interest in the issued and outstanding shares of the Company.

On August 1, 2019, the Company received 200,000 B2Gold common shares which were issued pursuant to the option agreement dated January 18, 2016. On August 13, 2019, the Company received a Notice of Exercise of Option from B2Gold confirming that B2Gold has fulfilled its obligations under the Option Agreement dated January 18, 2016, and that as of August 14, 2019, the Option is deemed to be exercised.

12. SUBSEQUENT EVENTS (Continued)

On August 7, 2019, the Company issued 200,000 common shares pursuant to the exercise of stock options for gross proceeds of $20,000 ($0.10 per share).

On August 14, 2019, the Company issued 2,530 common shares pursuant to the exercise of warrants for gross proceeds of $2,656.50 ($1.05 per warrant).