ERIN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Erin Ventures Inc.

Opinion

We have audited the consolidated financial statements of Erin Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has accumulated losses of $25,275,683 as at June 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Stratton.

Vancouver, Canada	*"Morgan & Company LLP"*
October 7, 2019	Chartered Professional Accountants

ERIN VENTURES INC.
Consolidated Statements of Financial Position
As at June 30, 2019 and 2018
(Expressed in Canadian Dollars)

ASSETS

	2019	2018
Current		
Cash	**$ 42,153**	$ 2,043
Tax recoverable	**1,771**	4,928
Prepaids	**143,178**	47,933
Total Current Assets	**187,102**	54,904
Exploration And Evaluation Assets – Note 4	**9,402,644**	8,994,594
Total Assets	**$ 9,589,746**	$ 9,049,498

LIABILITIES

Current		
Accounts payable and accrued liabilities – Notes 6 and 8	**$ 363,644**	$ 372,408
Convertible debentures – Note 7	**3,179**	16,313
Total Current Liabilities	**366,823**	388,721
Convertible debentures – Note 7	**307,233**	519,707
Total Liabilities	**$ 674,056**	$ 908,428

EQUITY

Share Capital – Note 5	**$ 32,174,834**	$ 30,400,719
Reserves – Note 5	**2,021,255**	1,985,259
Share Subscription Receivable – Note 5	**(4,716)**	(2,418)
Deficit	**(25,275,683)**	(24,242,490)
Total Equity	**8,915,690**	8,141,070
Total Liabilities And Equity	**$ 9,589,746**	$ 9,049,498

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Basis of Presentation – Note 2

These consolidated financial statements were approved and authorized for issue by the Board of Directors on October 7, 2019. They are signed on the Company's behalf by:

"Tim Daniels"	*"James Wallis"*
Director	Director

See accompanying notes to the consolidated financial statements

ERIN VENTURES INC.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Expenses		
Accounting and audit fees	**$ 64,367**	$ 55,525
Consulting fees	**-**	8,995
Filing fees	**2,713**	16,637
Foreign exchange (gain) loss	**(821)**	2,027
Interest and bank charges	**5,609**	4,961
Interest on convertible debentures – Note 7	**55,283**	71,640
Legal fees	**45,971**	121,468
Management fees – Note 8	**290,390**	290,080
Office and miscellaneous – Note 8	**381,977**	343,892
Rent – Note 8	**35,322**	36,256
Share-based payments	**-**	112,617
Telephone	**9,239**	12,990
Transfer agent fees	**49,096**	39,631
Travel and promotion – Note 8	**39,826**	27,417
Loss Before Other Expenses	**(978,972)**	(1,144,136)
Other Income (Expenses)		
Accretion of convertible debentures – Note 7	**(38,360)**	(69,804)
Debt conversion (loss) gain – Note 7	**(18,553)**	34,541
Gain on extinguishment of derivative liability – Note 7	**2,692**	-
Gain on reduction of derivative liability – Note 7	**-**	15,000
Loss on settlement of debt	**-**	(106,335)
Recovery of exploration and evaluation costs	**-**	7,859
Gain on amendment of convertible debentures – Note 7	**-**	6,148
Net Loss and Comprehensive Loss For The Year	**$ (1,033,193)**	$ (1,256,727)
Basic And Diluted Loss Per Share	**$ (0.01)**	$ (0.02)
Weighted Average Number Of Shares Outstanding	**74,473,521**	53,626,595

See accompanying notes to the consolidated ifinancial statements

ERIN VENTURES INC.
Consolidated Statements of Cash Flows
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net loss for the year	**$ (1,033,193)**	$ (1,256,727)
Items not affecting cash:		
Accretion of convertible debentures	**38,360**	69,804
Interest on convertible debentures	**36,898**	61,568
Loss (gain) on debt conversion	**18,553**	(34,541)
Gain on reduction of derivative liability	**-**	(15,000)
Gain on extinguishment of derivative liability	**(2,692)**	-
Loss on settlement of debt	**-**	106,335
Share-based payments	-	112,617
Gain on amendment of convertible debentures	-	(6,148)
Changes in non-cash working capital items related to operations:		
Tax recoverable	**3,157**	2,563
Prepaids	**(95,245)**	16,648
Accounts payable and accrued liabilities	**(8,764)**	657,290
Cash Used In Operating Activities	**(1,042,926)**	(285,591)
Financing Activities		
Issuance of common shares	**1,556,932**	1,531,322
Share issuance costs	**(65,846)**	(46,132)
Cash Provided By Financing Activities	**1,491,086**	1,485,190
Investing Activity		
Exploration and evaluation asset costs, net of VAT refunds	**(408,050)**	(1,207,539)
Cash Used In Investing Activity	**(408,050)**	(1,207,539)
Change In Cash During The Year	**40,110**	(7,940)
Cash, Beginning Of The Year	**2,043**	9,983
Cash, End Of The Year	**$ 42,153**	$ 2,043
Supplemental Disclosure Of Cash Flow Information:		
Cash paid for:		
Interest	**$ 18,385**	$ 10,072
Income taxes	**$ -**	$ -

Non-Cash Investing and Financing Activities – Note 9

See accompanying notes to the consolidated financial statements

ERIN VENTURES INC.
Consolidated Statements of Changes in Equity
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	NUMBER OF SHARES	SHARE CAPITAL	RESERVES	SHARE SUBSCRIPTION RECEIVABLE	DEFICIT	TOTAL EQUITY
June 30, 2017	45,276,943	$ 28,257,795	$ 1,791,967	$ -	$ (22,985,763)	$ 7,063,999
Private placement	16,074,889	1,533,740	-	(2,418)	-	1,531,322
Less: Share issuance costs	-	(46,132)	-	-	-	(46,132)
Shares issued for debt settlement	5,316,769	638,013	-	-	-	638,013
Shares issued for debenture interest – Note 7	123,457	17,303	-	-	-	17,303
Share-based payments	-	-	112,617	-	-	112,617
Equity portion of convertible debentures – Note 7	-	-	80,675	-	-	80,675
Net loss for the year	-	-	-	-	(1,256,727)	(1,256,727)
June 30, 2018	66,792,058	30,400,719	1,985,259	(2,418)	(24,242,490)	8,141,070
Private placement	12,302,809	1,536,565	22,665	(2,298)	-	1,556,932
Shares issued on debenture conversion – Note 7	1,706,666	272,267	-	-	-	272,267
Shares issued for debenture interest – Note 7	400,156	51,445	-	-	-	51,445
Less: Share issuance costs	-	(65,846)	-	-	-	(65,846)
Share issuance costs – warrants	-	(20,316)	20,316	-	-	-
Equity portion of convertible debentures – Note 7	-	-	(6,985)	-	-	(6,985)
Net loss for the year	-	-	-	-	(1,033,193)	(1,033,193)
June 30, 2019	**81,201,689**	**$ 32,174,834**	**$ 2,021,255**	**$ (4,716)**	**$ (25,275,683)**	**$ 8,915,690**

See accompanying notes to the consolidated financial statements

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Erin Ventures Inc. ("the Company") was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX.V"), under the symbol "EV". The address of the Company's corporate office and principal place of business is Suite 203, 645 Fort Street, Victoria, British Columbia, Canada.

During the year ended June 30, 2019, the Company's common shares began trading on the OTCQB Venture Market ("OTCQB") under the symbol "ERVFF".

The Company is in the exploration and evaluation stage and has not yet determined whether its exploration and evaluation properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Management's plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2019, the Company has accumulated losses of $25,275,683 (2018 – $24,242,490) and expects to incur further losses in the development of its business, all of which may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. These material uncertainties may cast significant doubt on the Company`s ability to continue as a going concern.

Note 2 Basis of Presentation

a) Statement of Compliance

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

The policies applied in these consolidated financial statements are presented below and are based on IFRS issued and outstanding as of June 30, 2019. The Board of Directors approved the consolidated financial statements on October 7, 2019.

These consolidated financial statements are presented in Canadian dollars.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Balkan Gold Corp.

Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property.

All intercompany transactions and balances have been eliminated upon consolidation.

d) Critical Accounting Judgments and Estimates

The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of selecting and applying the accounting policies.

Note 2 **Basis of Presentation** (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities, equity and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Critical Accounting Estimates

The following are the key estimates, assumptions and judgments that may have a significant risk of resulting in a material adjustment in future periods.

Fair value estimates of financial liabilities and equity instruments

Convertible debenture conversion options require an estimation of the fair value of a similar liability that does not have an associated equity component by using a suitable discount rate at initial recognition The carrying amount of the conversion option is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Additionally, significant judgement is required when accounting for the redemption, conversion or modification of these instruments.

The fair value of each stock option and each conversion option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the stock options and conversion at grant date is based on the expected life of the options and assumptions about the expected exercise pattern.

Critical Judgments Used in Applying Accounting Policies

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the consolidated financial statements.

Determination of Going Concern Assumption

The preparation of these consolidated financial statements requires management to make judgments regarding the applicability of going concern assumption to the Company as discussed in Note 1.

Determination of Cash Generating Units

In performing impairment assessments of corporate assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units.

Note 2 **Basis of Presentation** (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

Modification versus extinquishment of financial liability

Judgement is required in applying IFRS 9 *Financial Instruments* to determine whether the amended terms of existing convertible debentures are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

Determination of Functional Currency

The functional currency for each of the Company's subsidiaries, joint arrangement and investment in associates is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Exploration and Evaluation Assets

In estimating the recoverability of capitalized exploration and evaluation assets, management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of property can be demonstrated, it is reclassified from exploration and evaluation assets to property and equipment, and subject to different accounting treatment. As at June 30, 2019 and 2018, management had determined that no reclassification of exploration and evaluation assets was required.

Income Tax

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The Company's deferred tax assets have not been recorded in these consolidated statements of financial position, because it is not probable that the Company will have sufficient profits in the future to utilize the tax assets. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Note 3 Significant Accounting Policies

The accounting policies set out below are adopted for the year ended June 30, 2019 and have been applied consistently to all years presented in these consolidated financial statements.

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement. The Company places its cash with chartered Canadian banks. As at June 30, 2019 and 2018, the Company had no cash equivalents.

b) Equipment

Equipment is recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is recorded on the declining balance method when equipment is put in use over the estimated useful lives of the equipment at 30% per year.

c) Exploration and Evaluation Assets

Upon acquiring the legal right to explore an exploration and evaluation asset, costs related to the acquisition, exploration and evaluation are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit and loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their estimated recoverable amount.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

Note 3 **Significant Accounting Policies** (Continued)

d) Exploration Advances

The Company periodically advances funds to its Serbian subsidiary to cover its exploration costs in that country. These funds are internally restricted solely for this purpose and therefore are included in exploration and evaluation assets when they are advanced.

Exploration advances of $7,242 (2018 – $62,335) were included within exploration and evaluation assets as at June 30, 2019.

e) Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets at each reporting period. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise is required to consider the conditions for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

f) Convertible debentures

The Company classifies convertible debentures into debt and equity components based on the residual method. The liability component is calculated as the present value of the principal and interest, discounted at a rate approximating the estimated interest rate that would have been applicable to non-convertible debenture at the time the debenture was issued. The portion of the convertible debenture is accreted over its term to the full principal value using the effective interest rate method. The equity element of the convertible debenture comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component is reclassified to reserves.

g) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The presentation currency and functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Note 3 **Significant Accounting Policies** (Continued)

g) Foreign Currency Translation (Continued)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

h) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

i) Share Consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to the residual method.

j) Share-based Payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Note 3 **Significant Accounting Policies** (Continued)

k) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method. Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognized as deferred tax assets and liabilities. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably 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 balance sheet 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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

l) Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL - Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income (loss) and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of income (loss) and comprehensive income (loss) in the period in which they arise.

Note 3 Significant Accounting Policies (Continued)

l) Financial Instruments (Continued)

Financial assets at FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of income (loss) and comprehensive income (loss). Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company has classified its cash as fair value through profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance at adoption or as at June 30, 2019.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Note 3 **Significant Accounting Policies** (Continued)

l) Financial Instruments (Continued)

Amortized cost: This category included accounts payable and accrued liabilities and convertible debentures, which are recognized at amortized cost using the effective interest method.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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; and

Level 3 – Inputs that are not based on observable market data.

The Company designated cash (Level 1) as fair value through profit or loss, measured at fair value. Accounts payable and accrued liabilities and convertible debentures are measured at amortized cost. Convertible debentures are hybrid instruments composed of a non-derivative host contract and a conversion option. Depending on the terms of the agreements the conversion option will be presented as either an equity component or as a derivative liability. Management has determined that the conversion options on existing debentures are derivative liabilities (Level 3).

Derivative liabilities embedded in other financial instruments or non-financial contracts (the "host instrument") are treated as separate derivatives with fair value changes recognized in the statement of operations when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the original financial liability and the new financial liability shall be recognized as a gain or loss on debt modification on the statement of operations and comprehensive loss.

Note 3 **Significant Accounting Policies** (Continued)

m) Newly adopted accounting policies

Effective July 1, 2018, the Company adopted the following accounting policies. There were no significant impacts to the financial statements upon adoption.

IFRS 9 Financial Instruments replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

n) Future Accounting Pronouncements Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated statements.

New standard IFRS 16, Leases replaces existing lease accounting guidance. All leases will be required to be reported on the statement of financial position unless certain requirements for exclusion are met. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

Note 4 Exploration and Evaluation Assets

	SERBIA	CANADA	TOTAL
Balance, June 30, 2018	$ 8,969,034	$ 25,560	$ 8,994,594
Deferred exploration costs			
Consulting and geological consulting	203,050	-	203,050
Field work and supplies	350,798	-	350,798
VAT refunds received	(90,714)	-	(90,714)
Use of exploration advances	(55,084)	-	(55,084)
Balance, June 30, 2019	**$ 9,377,084**	**$ 25,560**	**$ 9,402,644**

	SERBIA	CANADA	TOTAL
Balance, June 30, 2017	$ 8,029,495	$ 25,560	$ 8,055,055
Deferred exploration costs			
Consulting and geological consulting	246,775	-	246,775
Field work and supplies	656,942	-	656,942
VAT refunds received	(2,012)	-	(2,012)
Exploration advances	37,834	-	37,834
Balance, June 30, 2018	**$ 8,969,034**	**$ 25,560**	**$ 8,994,594**

Piskanja Property, Serbia

On August 31, 2010, the Company reported that it has been granted an exploration license for the Piskanja boron deposit in Serbia, by the Serbian Ministry of Mining and Energy. The license covers an area of approximately 3 square kilometres, and includes the entire known historical mineralized area along with a substantial amount of previously unexplored ground.

Under Serbian law, a mineral exploration license is granted exclusively, for a 3 year period (extendable at the request of the license holder upon meeting certain exploration goals). Upon successful completion of the exploration program, the license holder has the sole right to apply for an exploitation (mining) license.

On November 29, 2012, the Company reported that its mineral exploration license for the Piskanja boron deposit in Serbia has been renewed by the Serbian authorities for an additional three year period. The new license covers the same exploration area as the Company's previous license - approximately 3 square kilometres within the Jarandol basin (including the entire known mineralized area of borates known as Piskanja). On January 8, 2013, the Company received an exploration license for additional territory within the Jarandol Basin in Serbia. The license is valid until December 10, 2015 and can be extended beyond the initial 3 year period at the request of the Company, upon meeting certain exploration goals. During the year ended June 30, 2017, the Company renewed its exploration licenses for a further three years under the newly enacted mining laws in Serbia. Under the new laws, the Company can apply for future extensions totalling four more years.

Note 4 **Exploration and Evaluation Assets** (Continued)

Yukon Property, Canada

During the year ended June 30, 2016, the Company re-instated multiple quartz claims with the Yukon government for $3,780 in filing fees.

Note 5 **Share Capital**

a) Authorized:

Unlimited voting common shares without par value
Unlimited preferred shares without par value (none issued)

b) Issued common shares:

During the year ended June 30, 2019, the Company:

i) completed a non-brokered private placement for 2,266,500 units at a price of $0.15 per unit for gross proceeds of $339,975. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a five year term at a price of $0.22. The Company paid share issuance costs of $15,935 in cash.

ii) completed a non-brokered private placement for 5,763,046 units at a price of $0.13 per unit for gross proceeds of $749,196 of which $747,738 has been received during the year ended June 30, 2019. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will have a three year term with an exercise price of $0.155 in the first six months and $0.22 commencing on the first day of the seventh month until the end of the third year.

In addition, the Company paid share issuance costs of $38,240 in cash and issued 173,000 finders' warrants (valued at $20,316).

iii) issued 228,635 common shares at $0.18 per share in consideration of the interest payments pursuant to the convertible debentures. The Company paid share issuance costs of $660 in cash.

iv) issued 1,666,666 units at $0.16 per unit pursuant to the conversion of convertible debentures. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a one year term at a price of $0.23. The Company incurred expenses on the conversion of the debentures in the aggregate amount of $16,667 relating to the difference between the conversion prices of the convertible debentures and the market prices of the Company's common shares at the time of the exercise.

Note 5 **<u>Share Capital</u>** (Continued)

b) Issued common shares: (Continued)

During the year ended June 30, 2019, the Company: (Continued)

v) issued 40,000 units at $0.14 per unit pursuant to the conversion of convertible debentures. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a one year term at a price of $0.23.

vi) completed a non-brokered private placement for 4,273,263 units at a price of $0.11 per unit for gross proceeds of $470,059, of which $469,219 has been received during the year ended June 30, 2019. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will have a five year term with an exercise price of $0.15 in the first year and $0.30 thereafter. The Company paid share issuance costs of $10,425 in cash.

vii) issued 171,521 common shares at $0.06 per share in consideration of the interest payments pursuant to the convertible debentures. The Company paid share issuance costs of $586 in cash.

During the year ended June 30, 2018, the Company:

i) completed a non-brokered private placement for 3,339,111 units at a price of $0.09 per unit for gross proceeds of $300,520. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will have a three year term with an exercise price of $0.20 in the first year, $0.30 in the second year and $0.40 in the third year, with an accelerated exercise clause. One arm's length finder was paid finders' fees for $5,800.

ii) issued 123,457 common shares at $0.14 per share in consideration of the interest payments pursuant to the convertible debentures.

iii) completed a non-brokered private placement for 4,035,778 units at a price of $0.09 per unit for gross proceeds of $363,220, of which $361,942 has been received during the year. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will have a three year term with an exercise price of $0.20 in the first year, $0.30 in the second year and $0.40 in the third year, with an accelerated exercise clause. The Company paid finders' fees of $10,738 to arm's-length finders.

(Expressed in Canadian Dollars)

Note 5 **Share Capital** (Continued)

b) Issued common shares: (Continued)

During the year ended June 30, 2018, the Company: (Continued)

iv) entered into agreements to settle some of the indebtedness and accounts payable of the Company for an aggregate total of $531,677 through conversion of such debt into common shares of the Company. Pursuant to the shares for debt transactions, the Company issued 5,316,769 common shares at a price of $0.12 per common share resulting in a loss of $106,335 on the settlement of debt.

v) completed a non-brokered private placement for 8,700,000 units at a price of $0.10 per unit for gross proceeds of $870,000 of which $868,860 has been received during the year. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will be exercisable into one common share for a five year term at a price of $0.13. The Company paid share issuance cost of $18,450 in cash.

c) Share purchase options

The Company has granted directors and employees common share purchase options. Additional common share purchase options were also granted pursuant to exploration and evaluation assets acquisition agreements. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. The aggregate number of options are restricted to 10% of the total common shares issued and outstanding, and the number of options to any individual is restricted to 5% of the total common shares issued and outstanding, unless that individual is a consultant, in which case the number is restricted to 2%. The options may not be assigned nor transferred, and can have a term of no more than 5 years. The options vest at the discretion of the directors.

A summary of the status of share purchase options outstanding is presented below:

	YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	OPTIONS	**WEIGHTED AVERAGE EXERCISE PRICE**	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**1,392,144**	**$0.32**	1,096,429	$0.70
Issued	**-**	**-**	910,000	0.12
Expired / Cancelled	**(96,429)**	**0.70**	(614,285)	0.70
Outstanding at end of year	**1,295,715**	**0.29**	1,392,144	0.32
Exercisable at end of year	**1,295,715**	**$0.29**	1,392,144	$0.32

(Expressed in Canadian Dollars)

Note 5 **Share Capital** (Continued)

c) Share purchase options (Continued)

At June 30, 2019, the Company has 1,295,715 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held as follows:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
14,286	$ 0.70	February 6, 2020
371,429	0.70	December 9, 2020
910,000	0.12	January 17, 2023
1,295,715		

As at June 30, 2019, the weighted average remaining contractual life of the share purchase options was 2.92 years (2018 – 3.68 years).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options during the year ended June 30:

	2019	2018
Risk-free interest rate	-	1.87%
Expected life of options	-	5.00 years
Expected annualized volatility	-	168%
Expected dividend rate	-	0.00%

d) Share purchase warrants

A summary of the status of share purchase warrants outstanding is presented below:

	YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	WARRANTS	**WEIGHTED AVERAGE EXERCISE PRICE**	WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**16,863,674**	**$0.74**	8,009,976	$1.70
Issued	**14,182,475**	**0.20**	11,724,889	0.16
Expired	**(2,238,571)**	**3.02**	(2,871,191)	2.74
Outstanding at end of year	**28,807,578**	**$0.39**	16,863,674	$0.74

At June 30, 2019, the Company has 28,807,578 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

(Expressed in Canadian Dollars)

Note 5 **Share Capital** (Continued)

d) Share purchase warrants (Continued)

NUMBER OF WARRANTS		EXERCISE PRICE	EXPIRY DATE
1,000,214	$	2.10	November 2, 2019
1,666,666		0.23	December 17, 2019
40,000		0.23	January 14, 2020
1,368,571		2.10	February 26, 2020
3,339,111		0.30	November 22, 2020
4,035,778		0.30	May 2, 2021
531,429		1.40	June 2, 2021
5,763,046		0.22	November 27, 2021
173,000		0.13	November 27, 2021
4,350,000		0.13	April 4, 2023
2,266,500		0.22	July 27, 2023
4,273,263		0.15	March 25, 2024
28,807,578			

As at June 30, 2019, the weighted average remaining contractual life of the share purchase warrants was 2.62 years (2018 – 2.77 years)

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants during the year ended June 30:

	2019	2018
Risk-free interest rate	2.27%	-
Expected life of options	3.00 years	-
Expected annualized volatility	190%	-
Expected dividend rate	0.00%	-

Note 6 **Accounts Payable and Accrued Liabilities**

		JUNE 30, 2019		JUNE 30, 2018
Trade payable	**$**	**310,074**	$	330,008
Accrued liabilities		**53,570**		42,400
	$	**363,644**	$	372,408

(Expressed in Canadian Dollars)

Note 7 Convertible debentures and derivative liabilities

a) Convertible debentures

	April 2015	July 2015	November 2015	November 2016	Total
Balance June 30, 2017	$ 244,125	$ 145,631	$ 110,328	$ 41,232	$ 541,316
Effective interest accretion	15,758	9,386	40,220	4,440	69,804
Debentures interest	30,600	18,120	16,920	6,000	71,640
Interest settled with common shares	(23,104)	(14,820)	(10,920)	(3,000)	(51,844)
Interest paid in cash	(3,008)	(2,552)	(3,008)	(1,504)	(10,072)
Equity conversion	(32,899)	(21,094)	(19,697)	(6,985)	(80,675)
(Gain) loss on extinguishment	(1,006)	(825)	(7,406)	3,088	(6,149)
Debt extinguishment	-	-	-	2,000	2,000
Balance June 30, 2018	230,466	133,846	126,437	45,271	536,020
Effective interest accretion	17,178	10,159	9,487	1,536	38,360
Debentures interest	26,753	14,914	10,821	2,795	55,283
Conversion to common shares	(60,000)	(50,000)	(96,000)	(50,000)	(256,000)
Interest settled with common shares	(21,667)	(12,830)	(11,981)	(2,681)	(49,159)
Equity conversion	-	-	-	6,985	6,985
Gain on extinguishment	-	-	-	(2,692)	(2,692)
Interest paid in cash	(8,005)	(4,740)	(4,426)	(1,214)	(18,385)
Balance June 30, 2019	**$ 184,725**	**$ 91,349**	**$ 34,338**	**$ -**	**$ 310,412**

b) Derivative liabilities

	April 2015	July 2015	November 2015	November 2016	Total
Balance June 30, 2017	$ 7,000	$ 4,000	$ 4,000	$ 2,000	$ 17,000
Net change to fair value	(7,000)	(4,000)	(4,000)	-	(15,000)
Debt extinguishment	-	-	-	(2,000)	(2,000)
Balance June 30, 2018 and 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

During the years ended June 30, 2016 and 2015, the Company closed three non-brokered private placement offerings of convertible and unsecured debentures of the Company in the aggregate principal amounts of $675,000 (April, 2015), $544,200 (July 2015) and $698,500 (November 2015). The debentures bear an interest at a fixed rate of 12% per annum, paid semi-annually in arrears, and were due to mature on June 1, 2018.

Note 7 **Convertible debentures and derivative liabilities** (Continued)

At the option of the debenture holder, the principal may be converted (in whole or in part) into units of the Company, once every twelve months. Each unit will be comprised of one common share and one common share purchase warrant. The formula used to determine the number of units to be issued upon conversion and the price per unit will be as set out below, subject to a minimum unit price of $0.70 after the first year following the issuance of the debenture:

a) if the market price is $0.70 or less, the unit price will be equal to the market price less 20%, subject to a minimum price of $0.42;
b) if the market price is between $0.77 and $3.50, the unit price will be equal to the market price less 10%; and
c) if the market price is greater than $3.50, the unit price will be equal to the market price less 5%.

Each common share purchase warrant issued as part of the unit will be exercisable for a one year period into one common share at a 50% premium to the unit price, subject to a minimum exercise price of $0.70.

The debenture cannot be converted if, post conversion, the holder, together with any person, entity or company acting jointly or in concert with such holder, would in the aggregate own, or result in a "Control Person" (as such term is defined in the TSX Venture Exchange Corporate Finance Manual) or have direction over that number of voting securities of the Company which is equal to 20% or greater of the total issued and outstanding securities of the Company. Finders fees for the three issuances total $37,388.

During the year ended June 30, 2016, the principal amount of $1,370,700 was converted into common shares with a fair value of $1,623,574 resulting in a conversion expense of $252,874. The Company revised its original $Nil estimate on the fair value of the derivative liability component of the April 2015 convertible debenture as shown in the derivative liability table.

During the year ended June 30, 2017 the Company closed a non-brokered private placement offering of convertible and unsecured debentures of the Company in the aggregate principal amounts of $50,000 (November 2016). The debentures bear an interest at a fixed rate of 12% per annum, paid semi-annually in arrears, and mature on June 1, 2019.

The interest payments will be comprised of 50% cash and 50% common shares of the Company, subject to the right of the debenture holder to elect to have an interest payment satisfied entirely in common shares. The price of the common shares to be issued to satisfy each interest payment will be subject to a minimum price of $0.42, determined by the greater of: (i) the volume-weighted average trading price of the common shares of the Company for the 10 trading days preceding each interest payment due date; or (ii) the "Discounted Market Price" of the common shares at the time of issuance.

Note 7 Convertible debentures and derivative liabilities (Continued)

The interest payments will be comprised of 50% cash and 50% common shares of the Company, subject to the right of the debenture holder to elect to have an interest payment satisfied entirely in common shares. The price of the common shares to be issued to satisfy each interest payment will be subject to a minimum price of $0.42, determined by the greater of: (i) the volume-weighted average trading price of the common shares of the Company for the 10 trading days preceding each interest payment due date; or (ii) the "Discounted Market Price" of the common shares at the time of issuance.

At the option of the debenture holder, the principal may be converted (in whole or in part) into units of the Company, once every twelve months. Each unit will be comprised of one common share and one common share purchase warrant. The formula used to determine the number of units to be issued upon conversion and the price per unit will be as set out below, subject to a minimum unit price of $0.70 after the first year following the issuance of the debenture:

a) if the market price is $0.70 or less, the unit price will be equal to the market price less 20%, subject to a minimum price of $0.42;
b) if the market price is between $0.77 and $3.50, the unit price will be equal to the market price less 10%; and
c) if the market price is greater than $3.50, the unit price will be equal to the market price less 5%.

Each common share purchase warrant issued as part of the unit will be exercisable for a one year period into one common share at a 50% premium to the unit price, subject to a minimum exercise price of $0.70.

The debenture cannot be converted if, post conversion, the holder, together with any person, entity or company acting jointly or in concert with such holder, would in the aggregate own, or result in a "Control Person" (as such term is defined in the TSX Venture Exchange Corporate Finance Manual) or have direction over that number of voting securities of the Company which is equal to 20% or greater of the total issued and outstanding securities of the Company.

During the year ended June 30, 2018, the Company received the approval from the TSX Venture Exchange and all of the outstanding holders of the 12% interest bearing, unsecured convertible debentures, to amend the terms of the debentures. Due to the substantial changes in the terms, IAS 39 requires that the amendments be accounted for as an extinguishment of the existing convertible debentures. A gain of $6,148 was recognized by the Company related to the extinguishment of the convertible debentures.

The amendments are as follows:

(i) an extension of the maturity date of the Debentures, to be: (a) June 1, 2020, and (b) for the outstanding debentures that were issued on April 10, 2015, the maximum allowable extension of such Debentures' terms was a maturity date of April 9, 2020 (together, the "Extended Exercise Term");

Note 7 **Convertible debentures and derivative liabilities** (Continued)

(ii) to amend the conversion price of the debentures by amending the minimum stipulated conversion price of $0.70 per Unit (as a result of the 7 to 1 consolidation completed by the Company effective on August 30, 2017 (the "Consolidation")) to be a conversion price of $0.15 per unit during the first year of the Extended Exercise Term and a conversion price of $0.30 per unit during the second year of the Extended Exercise Term;

(iii) to amend the exercise period for the underlying warrants that form part of each Unit issuable upon conversion of a Debenture to be the lesser of (a) a one (1) year exercise period (as currently provided in the Debentures) and (b) such period of time less than one (1) year being the maximum period of time allowable to extend the exercise period of the warrants pursuant to the policies and rules of the TSXV; and

(iv) to amend the price applicable to the payment of accrued interest that is satisfied by the issuance of common shares from the minimum stipulated price of $0.42 (as a result of the Consolidation) to be the greater of (a) $0.10, and (b) the volume weighted average trading price of the common shares of Erin for the ten (10) trading days preceding each interest payment (such payments are made on June 1, and December 1).

During the year ended June 30, 2018, accrued interest of $51,844 was converted into common shares with a fair value of $17,303 resulting in a gain on debt conversion of $34,541.

During the year ended June 30, 2019, accrued interest of $49,159 was converted into common shares with a fair value of $51,445 resulting in a loss on debt conversion of $2,286.

During the year ended June 30, 2019, the principal amount of $256,000 was converted into common shares with a fair value of $272,267 resulting in a loss on debt conversion of $16,267 and a gain on extinguishment of derivative liability of $2,692.

Included in the current portion of the convertible debentures at June 30, 2019 is $3,179 (2018 - $16,313) of interest payable.

Note 8 **Related Party Transactions and Key Management Compensation**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and other members of key management personnel during the years ended June 30, 2019 and 2018 were as follows:

(Expressed in Canadian Dollars)

Note 8 **<u>Related Party Transactions and Key Management Compensation</u>** (Continued)

		2019		2018
Consulting	**$**	**36,000**	$	36,000
Consulting fees*		**48,000**		90,000
Office and miscellaneous		**79,937**		76,449
Management fees		**290,390**		290,080
Rent		**13,619**		13,634
Travel and promotion		**4,539**		4,544
	$	**472,485**	$	510,707

Key Management Compensation

		2019		2018
Management fees – short term benefits	**$**	**290,390**	$	290,080
Management fees – share based payments	**$**	**-**	$	108,286
Geological consulting fees*	**$**	**48,000**	$	90,000

*Included in exploration and evaluation assets.

As at June 30, 2019, accounts payable and accrued liabilities includes $128,732 (2018 – $144,187) due to related parties. This amount is comprised of unpaid geological fees, consulting fees, office costs, and travel costs. All amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended June 30, 2019, related parties participated in private placements acquiring 400,000 (2018 – 3,533,667) common shares in exchange for $52,000 (2018 - $349,530).

During the year ended June 30, 2018, the Company issued 5,211,769 common shares to related parties at a price of $0.12 per common shares to settle the indebtedness and accounts payable of the Company for an aggregate total of $521,177.

Note 9 **<u>Non-Cash Investing and Financing Activities</u>**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows as at June 30, 2019:

- $16,000 (2018 - $16,000) in accounts payable that related to exploration and evaluation assets expenditures;
- Broker's warrants of $20,316 (2018 - $Nil);
- Residual value of warrants of $22,665 (2018 - $Nil);
- Shares issued for debenture interest of $51,445 (2018 – $17,303);
- Shares issued pursuant to the conversion of debentures of $272,267 (2018 - $Nil);
- Share subscription receivable of $2,298 (2018 – $2,418); and
- Shares issued for debt settlement of $Nil (2018 – $638,013).

Note 10 Financial Instruments

Fair Value of Financial Instruments

The fair values of accounts payable and accrued liabilities approximates their carrying value as they are short term in nature.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited by placing its cash with high-credit quality financial institutions.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and expected future financings. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

Market Risk

The significant market risk exposures to which the Company may be exposed are foreign exchange risk, interest rate risk, and commodity price risk.

The Company has operations in Canada and Serbia subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, United States dollars ("US dollars") and Serbian dinars, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	JUNE 30, 2019	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES
US Dollar	$ 457	$ -

Based on the above net exposures at June 30, 2019, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an insignificant change to the Company's loss from operations.

(Expressed in Canadian Dollars)

Note 10 Financial Instruments (Continued)

Interest Rate Risk

As at June 30, 2019, the Company does not have any interest bearing financial instruments and accordingly the Company is not exposed to interest rate risks.

Note 11 Capital Disclosures

The Company was formed for the purpose of acquiring exploration and development stage natural exploration and evaluation assets. The directors determine the Company's capital structure and make adjustments to it based on 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 Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

The Company's approach to capital management did not change during the year ended June 30, 2019.

Note 12 Segmented Information

Capital assets by geographic segment, at cost:

	JUNE 30, 2019	JUNE 30, 2018
Serbia	**$ 9,377,084**	$ 8,969,034
Canada	**25,560**	25,560
	$ 9,402,644	$ 8,994,594

(Expressed in Canadian Dollars)

Note 13 **Income Taxes**

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2019	2018
Statutory rate	**27%**	27%
Expected income tax recovery	**$279,000**	$339,000
(Decrease) increase in income tax recovery resulting from:		
Permanent differences	**22,000**	(81,000)
Change in estimates and other	**37,000**	86,000
Share issuance costs	**18,000**	12,000
Change in unrecognized deferred tax assets	**(356,000)**	(356,000)
Income tax recovery	**$ -**	$ -

The significant components of the Company's deferred income tax assets, after applying enacted corporate income tax rates, are as follows:

	2019	2018
Resource properties and deferred exploration	**$ 2,335,000**	$ 2,258,000
Non-capital losses carried forward	**3,003,000**	2,730,000
Share issuance costs	**29,000**	24,000
Equipment	**73,000**	72,000
Deferred tax assets	**5,440,000**	5,084,000
Less: unrecognized deferred tax assets	**(5,440,000)**	(5,084,000)
	$ -	$ -

The Company has not recorded deferred income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized in the foreseeable future to utilize the deferred tax assets.

At June 30, 2019, the Company has accumulated Canadian and foreign exploration and development expenditures of approximately $18,050,000 and non-capital losses of approximately $11,124,000 that may be applied against future income for tax purposes. The non-capital losses expire from 2026 to 2039.