

**GRANADA GOLD MINE INC.**  
**(formerly Gold Bullion Development Corp.).**

**Condensed Interim Financial Statements**

**March 31, 2019**

**Unaudited**

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**NOTICE TO READERS**

The accompanying unaudited interim financial statements of Granada Gold Mine Inc. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that its independent auditor has not performed a review of these condensed unaudited interim financial statements.

*Signed 'Frank J. Basa'*

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**Frank J. Basa, President**

*Signed "Thomas P. Devlin"*

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**Thomas P. Devlin, Chief Financial Officer**

**GRANADA GOLD MINE INC.**  
**Statements of Financial Position**  
(Expressed in Canadian Dollars)

	March 31, 2019	June 30, 2018
		Audited
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 8,507	\$ 80,179
Receivables	280,248	285,283
Prepaid expenses	1,000	1,000
<b>Total current assets</b>	<b>289,755</b>	366,462
<b>Deposit - long-term (Note 5)</b>	<b>171,800</b>	171,800
<b>Castle units receivable (Note 15)</b>	-	3,517,656
<b>Property, plant and equipment (Note 7)</b>	<b>146,561</b>	175,508
<b>Total Assets</b>	<b>608,116</b>	4,231,426
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables and provisions (Note 9)	4,593,753	4,187,316
Secured loans payable (Note 8)	1,370,526	1,491,648
<b>Total Current Liabilities</b>	<b>5,964,279</b>	5,678,964
<b>Total Liabilities</b>	<b>5,964,279</b>	5,678,964
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 10)	62,457,392	60,425,765
Reserves (Note 11)	4,078,675	4,667,842
Deficit	(71,892,230)	(66,541,145)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>(5,356,163)</b>	(1,447,538)
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>	<b>\$ 608,116</b>	\$ 4,231,426
<b>Nature of operations and going concern (Note 1)</b>		
<b>Contingencies (Note 13)</b>		
<b>Commitments (Note 14)</b>		

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa" \_\_\_\_\_, Director

Signed "Jacque Monette" \_\_\_\_\_, Director

See accompanying notes to the consolidated financial statements.

**GRANADA GOLD MINE INC.**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
<b>Income</b>				
<b>Equipment Rental</b>	\$ 62,721	\$ 62,721	\$ 206,970	\$ 144,249
<b>Expenses</b>				
Exploration and evaluation (Note 7)				
Assaying and testing	\$ 2,849	\$ -	\$ 58,687	\$ 4,103
Consulting fees	920	2,850	8,639	2,850
Core analyses	2,340	-	73,741	-
Depreciation	9,650	4,297	28,947	12,890
Drilling	-	-	198,199	420
Equipment	20,377	136,258	86,837	137,024
Facility expenses	32,864	26,749	90,477	65,643
Geology, geophysics and surveys	35,850	35,000	112,236	105,000
Personnel costs	18,010	20,202	62,023	57,571
Program management and engineering	(69,422)	295,207	304,487	498,058
Security	-	-	300	300
Taxes, permits and licensing	29,663	29,026	36,572	50,379
	<u>83,101</u>	<u>549,589</u>	<u>1,061,145</u>	<u>934,238</u>
Corporate				
Administrative and general expenses	32,212	80,064	135,673	108,989
Consulting fees	-	373,777	-	856,240
Financing Interest	16,000	19,000	48,000	52,554
Professional fees	253,549	25,076	677,514	60,384
Filing costs and shareholders' information	49,194	241,059	113,995	415,443
Travel	41,594	1,437	96,451	25,190
	<u>392,549</u>	<u>740,413</u>	<u>1,071,633</u>	<u>1,518,800</u>
Other items				
Interest and other income	-	-	(274)	(5)
Premium on flow-through shares	(92,105)	-	(92,105)	(140,000)
Stock-based compensation	-	499,125	-	513,625
Realized gain on marketable securities	(155,000)	(1,037,500)	(155,000)	(1,037,500)
Unrealized gain on marketable securities	175,000	1,747,063	1,392,656	(252,937)
Gain on sale of properties	-	-	-	(500,000)
Gain on discontinued operations	-	-	-	-
	<u>(72,105)</u>	<u>1,208,688</u>	<u>1,145,277</u>	<u>(1,416,817)</u>
<b>Total expenses</b>	<u>403,545</u>	<u>2,498,690</u>	<u>3,278,055</u>	<u>1,036,221</u>
<b>Net and comprehensive gain (loss) for the period</b>	<u>\$ (340,824)</u>	<u>\$ (2,498,690)</u>	<u>\$ (3,071,085)</u>	<u>\$ (1,036,221)</u>
<b>Net loss per share - basic and fully diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of shares outstanding basic and fully diluted</b>	<u>69,224,750</u>	<u>48,559,421</u>	<u>64,388,214</u>	<u>48,559,421</u>

See accompanying notes to the consolidated financial statements.

**GRANADA GOLD MINE INC.**  
**Statement of Changes in Equity**  
(Expressed in Canadian Dollars)

	Share Capital	Reserves	Deficit	Total Equity (Deficiency)
Balance June 30, 2017	\$ 57,899,588	\$ 3,898,800	\$ (64,587,883)	\$ (2,789,493)
Private placements	700,000	-	-	700,000
Premium on flow-through shares	(140,000)	-	-	(140,000)
Warrants issued for compensation	-	39,600	-	39,600
Issued for services	30,246	-	-	30,246
Share issue costs	(102,600)	-	-	(102,600)
Options granted and vested	-	513,625	-	513,625
Private placements	1,233,830	822,620	-	2,056,450
Share issue costs	(11,014)	(7,341)	-	(18,355)
Warrants expired	714,373	(714,373)	-	-
Issued as compensation	-	3,255	-	3,255
Dividend distribution	-	-	(1,850,000)	(1,850,000)
Net loss for the 9 months ended March 31, 2018	-	-	(1,036,221)	(1,036,221)
<b>Balance March 31, 2018</b>	<b>60,324,423</b>	<b>4,556,186</b>	<b>(67,474,104)</b>	<b>(2,593,495)</b>
Issued for services	60,491	-	-	60,491
Private placements	260,507	(300,007)	-	(39,500)
Issue costs	15,753	4,082	-	19,835
Issued as compensation	-	19,766	-	19,766
Options granted and vested	-	-	-	-
Warrants expired	(445,409)	445,409	-	-
Options expired	-	(132,450)	132,450	-
Issued to settle debt	210,000	-	-	210,000
Dividend distribution	-	-	(10,217)	(10,217)
Conversion option on convertible loans	-	74,856	-	74,856
Net loss for the 3 months ended June 30, 2018	-	-	810,726	810,726
<b>Balance June 30, 2018</b>	<b>\$ 60,425,765</b>	<b>\$ 4,667,842</b>	<b>\$ (66,541,145)</b>	<b>\$ (1,447,538)</b>
Private placements	1,173,923	366,598	-	1,540,521
Premium on flow-through shares	(92,105)	-	-	(92,105)
Issue costs	(18,812)	(2,144)	-	(20,956)
Issued as compensation	-	15,000	-	15,000
Warrants expired	968,621	(968,621)	-	-
Dividend distribution	-	-	(2,280,000)	(2,280,000)
Conversion option on convertible loans	-	-	-	-
Net loss for the 9 months ended March 31, 2019	-	-	(3,071,085)	(3,071,085)
<b>Balance March 31, 2019</b>	<b>62,457,392</b>	<b>4,078,675</b>	<b>(71,892,230)</b>	<b>(5,356,163)</b>

See accompanying notes to the consolidated financial statements.

# GRANADA GOLD MINE INC.

## Statements of Cash Flows

(Expressed in Canadian Dollars)

For the nine months ended March 31,	2019	2018
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss for the year	(3,071,085)	(1,036,221)
Items not involving cash		
Depreciation	28,947	12,890
Stock-based compensation	-	513,625
Secured loan interest	48,000	-
Gain on sale of property	-	(500,000)
Premium on flow-through shares	(92,105)	(140,000)
Realized gain on marketable securities	(155,000)	(1,037,500)
Unrealized gain on marketable securities	1,392,656	(252,937)
Changes in non-cash working capital items		
Receivables	(5,035)	(84,869)
Prepaid expenses	-	(36,667)
Trade and other payables	416,507	365,702
<b>Net cash flows used in operating activities</b>	<b>(1,437,115)</b>	<b>(2,195,977)</b>
<b>Financing activities</b>		
Secured loans	(169,122)	250,000
Issuance of common shares and warrants	1,534,565	2,678,450
Exercise of warrants	-	-
Exercise of options	-	-
<b>Net cash flows generated from financing activities</b>	<b>1,365,443</b>	<b>2,928,450</b>
<b>Decrease in cash during the year</b>	<b>(71,672)</b>	<b>732,473</b>
<b>Cash, beginning of year</b>	<b>80,179</b>	<b>119,610</b>
<b>Cash at end of period</b>	<b>\$ 8,507</b>	<b>\$ 852,083</b>

See accompanying notes to the consolidated financial statements.

**GRANADA GOLD MINE INC.**  
**(formerly Gold Bullion Development Corp.)**  
**Notes to the Interim Financial Statements**  
**Nine Months Ended March 31, 2019**  
**(Expressed in Canadian Dollars)**

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**1. Nature of Operations and Going Concern**

Granada Gold Mine Inc. (“Granada” or the “Company”) is domiciled in Canada and was incorporated on July 17, 1985 under the Company Act of British Columbia. The Company is a publicly-traded company with its shares listed on the TSX Venture Exchange (“TSXV”), the Frankfurt Stock Exchange, and the US over-the-counter (“OTC”) market. The principal business of the Company is the acquisition, exploration and development of mineral property interests. The Company’s head office is located at 2875 Avenue Granada, Rouyn-Noranda, Quebec, J9Y 1J1.

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on February \_\_, 2019.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to obtain additional funds to continue its exploration activities, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continuing existence is dependent upon the discovery of economically recoverable reserves and resources, the preservation of its interest in the underlying properties, the ability of the Company to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and the achievement of profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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 government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed inappropriate. Such adjustments could be material.

As at March 31, 2019, the Company had not yet achieved profitable operations, has an accumulated deficit of \$71,892,230 (June 30, 2018 - \$66,541,145), has a working capital deficiency of \$5,674,524 (June 30, 2018 – a working capital deficiency of (3,810,851) and expects to incur further losses in the development of its business.

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**(Expressed in Canadian Dollars)**

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**1. Nature of Operations and Going Concern (cont'd)**

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing accumulated operating losses and a significant working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern.

**2. Basis of Preparation**

**(a) Statement of Compliance**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

**(b) Basis of Presentation**

These financial statements have been prepared on the historic cost basis, except certain 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.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may ultimately differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

**(c) Functional and Presentation Currency**

For the purpose of the financial statements, the results and financial position are expressed in Canadian dollars, which is also the functional currency of the Company. Transactions in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are presented in the statement of loss. The Company does not have any foreign operations.

**GRANADA GOLD MINE INC.**  
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**(Expressed in Canadian Dollars)**

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**3. Significant accounting policies**

The accounting policies set out in the Company's audited financial statements for the year ended June 30, 2018 have been applied consistently to these interim condensed consolidated financial statements.

**4. Significant Judgements, Estimates and Assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

**Income taxes.** The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**Decommissioning and restoration costs.** Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

**GRANADA GOLD MINE INC.**  
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**(Expressed in Canadian Dollars)**

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**4. Significant Judgements, Estimates and Assumptions (cont'd)**

**Share-based payments.** The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

**Premium on Flow-through shares.** At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded in trade and other payables on the statements of financial position. When the eligible expenditures are incurred, the Flow-Through Premium is reversed into the statement of loss within other income (expenses).

**5. Deposit – Long-term**

As at March 31, 2019 and June 30, 2018, the Company has a non-interest bearing cash deposit of \$171,800 with the Quebec government as a guarantee for the restoration of the Granada mine site. The Company has estimated that it has no material decommissioning obligations as at March 31, 2019.

**6. Exploration and Evaluation Projects**

The Company has determined that as at March 31, 2019 the following projects have not met the technical feasibility and commercial viability criteria to be capitalized and classified in mining properties. Accordingly, the Company has expensed all exploration and evaluation expenditures in the year. As of March 31, 2019 and June 30, 2018, the Company did not hold any assets classified as mining properties.

Granada Property, Quebec, Canada

The Company holds a 100% interest to certain mining leases and claims. The mining leases are subject to a 2% Gross Metal Royalty ("GMR"), ½ of which may be purchased for \$1,000,000 and a 1% Net smelter royalty (NSR) and 23 of the original mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for \$1,000,000.

**GRANADA GOLD MINE INC.**  
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**6. Exploration and Evaluation Projects (cont'd)**

Castle Property, Ontario, Canada

The Company previously owned, through its wholly owned subsidiary, Castle Silver Mines Inc., "CSM" a 100% interest to certain claims. On September 15, 2015, the Company sold its wholly-owned subsidiary to Canada Cobalt Works Inc. (CCW) formerly Castle Silver Resources Inc. (CSR).

Effective June 30, 2015, the Company, acquired a 1% NSR on the Castle Silver Mines property in return for the expenditure of \$1,000,000 in exploration expenses made on the Castle property.

On June 30, 2016, the Company entered into a Letter of Intent ("LOI") with CCW to advance the "Castle Golden Corridor Zone". Under the terms of the LOI, CSR will transfer a 50% interest in certain contiguous mineral claims on the property in lieu of \$60,000 in property payments owed to Granada pursuant to an Assignment Agreement between the two companies dated October 8, 2015, concerning the Beaver and Violet cobalt-silver properties.

On December 15, 2017 the Company sold this interest to CCW for \$500,000.

**7. Property, Plant and Equipment**

	March 31, 2019				
	Balance	Additions	Balance	Accumulated	
	June 30,	(Disposals)	Dec 31,	Amortization	Net
	2018	(Write-down)	2018		
Equipment	140,591	-	140,591	21,090	119,501
Vehicles	34,917	-	34,917	7,857	27,060
	175,508		175,508	28,947,	146,561

	June 30, 2018				
	Balance	Additions	Balance	Accumulated	
	June 30,	(Disposals)	June 30,	Amortization	Net
	2017	(Write-down)	2018		
Equipment	11,114	131,700	142,814	2,223	140,591
Vehicles	49,881	-	49,881	14,964	34,917
	60,995		192,695	17,187	175,508

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**(Expressed in Canadian Dollars)**

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**8. Secured Loans Payable**

On August 4, 2015, the Company entered into two loan agreements and a Supply and Services agreement for proceeds totaling \$800,000.

The first loan agreement is with an existing shareholder and is a demand loan for proceeds of \$200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The second loan is from a company owned by a director of the Company and comprises a \$100,000 demand loan also with a three-year term at an interest rate of 8% calculated monthly and payable annually. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The third agreement is a Supply and Services non-interest bearing loan for \$500,000 over the 12 months following the execution of the loan agreement from a company owned by a director of the Company. The lender has the option to obtain loan principal repayments including interest as applicable, in gold valued at US \$800 per ounce if the Company reaches commercial production. The Supply and Services loan is to be used for specific projects on the property. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

On November 11, 2015 and January 8, 2016, the Company entered into a second and third loan agreement with an existing shareholder for a demand loan for proceeds of \$200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

On November 22, 2018, the Company entered into a convertible loan agreement with an existing shareholder for a demand loan for proceeds of \$250,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce.

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**8. Secured Loans Payable (cont'd)**

The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender. The outstanding principal amount of the loan is convertible into common shares of the Company at the option of the lender at any time at a conversion price of \$0.05 per share for the first year and then \$0.10 per share starting in the second year and until maturity. The conversion feature has been classified as an equity instrument with an estimated value of \$74,856 and has been included in equity reserves on the statement of financial position. The liability portion of the convertible debentures was estimated to be \$175,144 and will be accreted to its face value over the 3 year term of the loan using an effecting interest rate of 20%. Accretion and interest expense relating to this loan totalled \$22,135 for the year ended June 30, 2018 (2017 - \$Nil).

The Granada Gold property is registered as security against these loans. As a triggering event has not taken place, no value has been attributed to the derivative relating to the right of the lenders to demand repayment in gold valued at US \$800 per ounce.

**9. Trade and Other Payables and Provisions**

	March 31, 2019	June 30, 2018
Trade payable	145,007	290,870
Due to related parties	877,429	265,129
Part XII.6 taxes and interest	716,939	776,939
Flow-through indemnification provision	2,854,378	2,854,378
	<u>\$ 4,593,753</u>	<u>\$ 4,187,316</u>

- (i) The Company has estimated potential Part XII.6 taxes in relation to unspent flow-through expenditures for fiscal years 2006 to 2017. During the year ended June 30, 2018, the Company had accrued an additional \$230,763 (2017 - \$203,384) for Part XII.6 taxes, interest and penalties on the shortfall.
- (ii) The Company has estimated potential indemnity in relation to unspent flow-through expenditures for fiscal years 2006 - 2017. During the year ended June 30, 2018, the Company accrued an additional \$705,880 (2017 - \$102,309) for indemnification and interest on the shortfall. During the year ended June 30, 2017, the Company settled \$71,795 in indemnified shareholder losses relating to this renunciation shortfall by the issuance of 717,952 common shares.

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**Notes to the Interim Financial Statements**  
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**(Expressed in Canadian Dollars)**

**10. Share Capital**

**Authorized**

Unlimited number of common shares without par value

**Issued**

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	59,656,365	\$ 60,425,765	48,503,321	\$ 57,899,588
Issued for services	-	-	226,844	90,737
Private placements	9,568,386	1,173,923	10,226,200	2,194,337
Premium on FT shares	-	(92,105)	-	(140,000)
Share issue costs	-	(18,812)	-	(97,861)
Warrants expired	-	968,621	-	268,964
Issued to settle debt	-	-	700,000	210,000
Balance, end of period	69,224,751	\$ 62,457,392	59,656,365	\$ 60,425,765

During the year ended June 30, 2018, the Company completed an eight-for-one consolidation of its common shares. All current and comparative common shares and per share amounts have been retroactively adjusted to reflect the stock consolidation.

On December 1, 2017, the Company closed a non-brokered private placement offering, raising gross proceeds of \$700,000. The Company issued 2,000,000 FT shares at a price of \$0.35 per FT share. In connection with this private placement a flow through share premium of \$140,000 was recorded.

Finder's fees totalling \$63,000 payable in cash and 180,000 broker warrants were paid in connection with the financing. The broker warrants are exercisable at \$0.35 per share for a period of two years from closing.

On January 24, 2018, the Company closed the 1<sup>st</sup> tranche of a private placement raising gross proceeds of \$830,500. The Company issued 3,322,000 units at a price of \$0.25 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of \$5,950 cash and 5,950 broker warrants on the same terms as the purchaser warrants.

On February 9, 2018, the Company closed the 2<sup>nd</sup> tranche of its private placement raising additional gross proceeds of \$1,226,050. The Company issued 4,904,200 units at a price of \$0.25 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of \$9,150 cash and 26,600 broker warrants on the same terms as the purchaser warrants.

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**10. Share Capital (continued)**

On October 18, 2018 the Company closed a private placement in which it issued 2,942,140 units at \$0.15 per unit for gross proceeds of \$441,321. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.18 per share for a period of three years. Certain directors and officers of the Company participated in this private placement by acquiring 2,192,140 units for \$328,821.

On November 6, 2018 the Company closed a private placement in which it issued 3,994,666 units at \$0.15 per unit for gross proceeds of \$599,200. Each unit comprises one common share and one common share purchase warrant exercisable at \$0.18 per share for a period of three years.

On December 21, 2018 the Company closed a flow-through private placement financing raising gross proceeds of \$500,000. The Company issued 2,631,579 flow-through shares at a price of \$0.19 per flow-through share. Finder's fees totaling \$35,000 and 200,000 finder warrants were paid connection with the financing. Each finder warrant is exercisable at \$0.155 per share for two years from closing

**11. Reserves - Warrants**

The Company records the estimated fair value of warrants issued on the grant date. The fair value is determined using the Black-Scholes option pricing model.

**Warrant Transactions**

	2019		2018	
	Number of Warrants	Value	Number of Warrants	Value
Balance, beginning of year	16,430,132	\$ 2,246,311	8,717,382	\$ 1,933,300
Issued by private placements	6,936,806	366,598	8,226,200	562,214
Issued as compensation	200,000	15,000	212,550	23,021
Expired	(3,616,040)	(968,621)	(726,000)	(268,964)
Issue costs related to warrants		(2,144)	-	(5,214)
Audit adjustment	-	-	-	1,954
Balance, end of period	19,950,898	\$ 1,657,144	16,430,132	\$ 2,246,311

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**11. Reserves – Warrants (continued)**

**Warrants Outstanding**

Number of Warrants	Exercise Price	Expiry Date
2,075,000	0.800	March 3, 2020
2,300,342	0.800	March 17, 2020
180,000	0.350	December 1, 2019
3,322,000	0.350	January 27, 2020
5,950	0.350	January 27, 2020
4,904,200	0.350	February 9, 2020
26,600	0.350	February 9, 2020
2,942,140	0.180	October 10, 2021
3,994,666	0.180	November 6, 2021
200,000	0.155	December 21, 2020
<u>19,950,898</u>		

**Reserves - Options**

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years from the date of grant. All options are subject to a four month holding period from the date of grant if granted at the price lower than the market price; options granted at market prices are not subject to the hold period. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company which may be reserved for the issuance shall be 10% of the issued and outstanding shares at the time of the option grant.

The Company records the fair value of stock-based compensation on the granting of stock options over the period in which they vest. The fair value is determined using the Black-Scholes option pricing model.

There were no option transactions in the nine months ended March 31, 2019.

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**Reserves - Options (continued)**

**Options Outstanding**

Number of Options	Options Vested	Exercise Price	Expiry Date
418,750	418,750	1.040	January 4, 2022
500,000	500,000	0.400	July 23, 2019
37,500	37,500	0.400	August 5, 2019
50,000	50,000	0.400	May 14, 2020
562,500	562,500	0.400	February 12, 2021
75,000	75,000	0.800	May 9, 2021
175,000	175,000	0.800	May 21, 2021
62,500	62,500	0.800	June 23, 2021
50,000	50,000	0.800	July 7, 2021
50,000	50,000	0.800	September 8, 2021
31,250	31,250	0.800	September 9, 2021
31,250	31,250	0.480	December 12, 2021
1,283,625	1,283,625	0.400	March 24, 2022
31,250	31,250	0.600	July 11, 2022
1,815,000	1,815,000	0.300	February 14, 2023
<u>5,173,625</u>	<u>5,173,625</u>	<u>0.453</u>	

**12. Related Party Transactions**

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial officer are key management personnel.

The remuneration to key management personnel during the nine months ended March 31, 2019 and the year ended June 30, 2018 is as follows:

	March 31, 2019	June 30, 2018
Key management compensation	\$ 562,338	\$ 705,509
Stock-based compensation	-	-
	<u>\$562,338</u>	<u>\$705,509</u>

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**12. Related Party Transactions (continued)**

- a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the nine months ended March 31, 2019, the total amount for such services provided was \$330,001 (2017 – \$330,001) of which \$330,000 was recorded in exploration expenses and \$1 (2017 - \$1) in management fees.
- b) The Company retains the services of two director and two officers to carry out administrative services. During the nine months ended March 31, 2019, the total amount for such services provided was \$232,337 (December 31, 2017 – \$192,789) which was recorded in consulting fees.

**13. Contingencies**

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at March 31, 2019 and to the best knowledge of its management, the Company is, in conformity with the laws and regulations.

The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:

- i) Two years following the flow-through investment;
- ii) One year after the Company has renounced the tax deductions relating to the exploration work.

During the year ended June 30, 2018, the Company received \$700,000 (2017 – \$2,555,000) from flow-through share issuances. According to the tax rules, the Company has until December 31, 2018 to spend these amounts on qualified exploration expenditures. As at June 30, 2018, the Company had spent this amount.

The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment. See Note 9.

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**14. Commitments**

The Company has consulting service agreements with related parties (certain officers and directors).

- i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1.

This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

- ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.
- iii) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD \$192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

**15. Financial Risk Management**

The Company's financial risk management policies set out in the Company's audited financial statements for the year ended June 30, 2018 have been applied consistently for the period ended March 31, 2019.

**16. Capital Management Disclosures**

The Company's Capital Management policies set out in the Company's audited financial statements for the year ended June 30, 2018 have been applied consistently for the period ended March 31, 2019.