esrey

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 and 2018

(in Canadian dollars)

Esrey Resources Ltd.
September 30, 2019

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Esrey Resources Ltd.

Opinion

We have audited the consolidated financial statements of Esrey Resources Ltd. (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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 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 2 to the financial statements, which indicates that the Company incurred a net loss of $4,756,110 during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by $1,603,154. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 Matter

The financial statements of the Company for the year ended September 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on May 24, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Barry Hartley.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 6, 2020

Esrey Resources Ltd.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	Note	**September 30, 2019**	September 30, 2018
ASSETS			
Current assets			
Cash and cash equivalents	15(b)	**$ 228,195**	$ 1,210,003
Amounts receivable	5(c)	**234,325**	302,850
Prepaid expenses and deposits	16(a)(ii)	**-**	120,489
		462,520	1,633,342
Non-current assets			
Pilot plant and equipment	10	**-**	2,364,321
Deposit	20	**25,973**	25,973
Investment in joint venture	7	**111,727**	114,553
		$ 600,220	$ 4,138,189
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5(c), 16(a)(ii)	**$ 1,831,977**	$ 717,312
Loan payable	8	**233,697**	227,677
		2,065,674	944,989
Equity			
Share capital	11	**117,291,708**	117,291,708
Share purchase warrants	11(c)	**1,960,356**	1,960,356
Contributed surplus		**13,555,568**	13,552,623
Accumulated other comprehensive income		**233,297**	139,966
Non-controlling interest	12	**(305,770)**	(307,780)
Deficit		**(134,200,613)**	(129,443,673)
		(1,465,454)	3,193,200
		$ 600,220	$ 4,138,189

Going concern (Note 2(c))
Commitment (Note 20)
Contingencies (Note 21)
Subsequent events (Note 22)

Approved and authorized for issue by the Board on August 6, 2020.

(Signed) "W. Joseph Yelder"
Director

(Signed) "David Pasko"
Director

See the accompanying notes to these consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note		**Year ended September 30, 2019**		Year ended September 30, 2018
Expenses:					
Project development costs	10	**$**	**1,153,231**	$	2,943,845
Property investigation costs	6		**-**		540,425
Write-down of stockpile material rights	10		**-**		4,969,701
Write-down of pilot plant and equipment	10		**1,834,250**		453,151
Depreciation	10		**608,677**		690,743
General and administrative expenses	16(a)(ii)		**303,544**		268,078
Salaries and management fees	16(a)		**708,078**		1,002,718
Legal, audit and accounting fees			**89,049**		182,008
Share-based payments	11(d)		**2,945**		288,437
Travel and business development	16(a)		**-**		124,369
			(4,699,774)		(11,463,475)
Other income (expenses):					
Interest income			**1,829**		8,742
Other income			**11,439**		37,979
Loss from investment in joint venture	7		**(2,826)**		(2,675)
Foreign exchange gain (loss)			**(66,778)**		23,457
			(56,336)		67,503
Loss before income taxes			**(4,756,110)**		(11,395,972)
Income tax expense (recovery)			**-**		-
Loss from continuing operations			**(4,756,110)**		(11,395,972)
Income from discontinued operations	9		**-**		7,945,220
Net loss for the year		**$**	**(4,756,110)**	$	(3,450,752)
Attributable to:					
Non-controlling interest	12		**830**		(13,178)
Equity shareholders of the Company			**(4,756,940)**		(3,437,574)
Net loss for the year		**$**	**(4,756,110)**	$	(3,450,752)
Net loss attributable to equity shareholders of the Company					
Continuing operations			**(4,756,940)**		(11,382,794)
Discontinued operations			**-**		7,945,220
		$	**(4,756,940)**	$	(3,437,574)
Diluted weighted average number of shares	14		**100,175,306**		91,763,187
Basic and diluted net loss per share attributable to equity shareholders of the Company		**$**	**(0.05)**	$	(0.04)
Basic and diluted net loss per share attributable to equity shareholders of the Company - continuing operations		**$**	**(0.05)**	$	(0.12)

See the accompanying notes to the consolidated financial statements.

Continued on next page

Esrey Resources Ltd.

Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

Continued from previous page

	Note		Year ended September 30, 2019		Year ended September 30, 2018
Net loss for the year		**$**	**(4,756,110)**	$	(3,450,752)
Other comprehensive income (loss)					
Foreign currency translation attributed to non-controlling interest	12		**1,180**		(636)
Foreign currency translation for equity shareholders of the Company:					
Related to discontinued operations	9		**-**		(7,945,220)
Related to continuing operations			**93,331**		48,737
Total other comprehensive income (loss) for the year			**94,511**		(7,897,119)
Total comprehensive loss for the year		**$**	**(4,661,599)**	$	(11,347,871)

See the accompanying notes to the consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive (loss) income	Non-controlling interest	Deficit	Total equity
Balance, September 30, 2017		**79,525,540**	**$ 115,163,946**	**$ -**	**$ 13,325,274**	**$ 8,036,449**	**$ (293,966)**	**$ (126,006,099)**	**$ 10,225,604**
Share-based payments	11(d)	-	-	-	288,436	-	-	-	288,436
Options exercised	11(d)	496,666	123,170	-	(61,087)	-	-	-	62,083
Private placement - Tranche 1	11(b),11(c)	12,725,000	1,286,068	1,258,932	-	-	-	-	2,545,000
Private placement - Tranche 2	11(b),11(c)	7,270,000	735,756	718,244	-	-	-	-	1,454,000
Shares issued for finder's fee	11(b),11(c)	158,100	16,000	15,620	-	-	-	-	31,620
Private placement - issue costs	11(b)	-	(33,233)	(32,440)	-	-	-	-	(65,672)
Net loss for the year		-	-	-	-	-	(13,178)	(3,437,574)	(3,450,752)
Foreign currency translation related to discontinued operations	9	-	-	-	-	(7,945,220)	-	-	(7,945,220)
Foreign currency translation related to continuing operations		-	-	-	-	48,737	(636)	-	48,101
Balance, September 30, 2018		**100,175,306**	**$ 117,291,708**	**$ 1,960,356**	**$ 13,552,623**	**$ 139,966**	**$ (307,780)**	**$ (129,443,673)**	**$ 3,193,200**
Share-based payments	11(d)	-	-	-	2,945	-	-	-	2,945
Net loss for the year		-	-	-	-	-	830	(4,756,940)	(4,756,110)
Foreign currency translation		-	-	-	-	93,331	1,180	-	94,511
Balance, September 30, 2019		**100,175,306**	**$ 117,291,708**	**$ 1,960,356**	**$ 13,555,568**	**$ 233,297**	**$ (305,770)**	**$ (134,200,613)**	**$ (1,465,454)**

See the accompanying notes to the consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2019	Year ended September 30, 2018
Operating activities			
Loss before income taxes		**$ (4,756,110)**	$ (11,395,972)
Adjustments to net loss for non-cash items			
Depreciation		**608,677**	690,743
Share-based payments	11(d)	**2,945**	288,437
Interest income		**(1,829)**	(8,742)
Loss from investment in joint venture		**2,826**	2,675
Write-down of stockpile material rights		**-**	4,969,701
Write-down of pilot plant and equipment		**1,834,250**	453,151
Foreign exchange (gain) loss		**66,778**	(23,457)
Net changes in non-cash working capital items	15	**1,330,465**	84,297
		(911,998)	(4,939,167)
Adjustments to net loss for cash items			
Interest income received		**1,829**	6,008
Realized foreign exchange (loss) gain		**(36,742)**	24,356
		(946,911)	(4,908,803)
Investing activities:			
Expenditures on pilot plant	10, 16	**(30,152)**	(439,979)
Other equipment and vehicle additions	10	**-**	(12,438)
		(30,152)	(452,417)
Financing activities:			
Proceeds from exercise of stock options		**-**	62,083
Proceeds from private placement	11(b)	**-**	3,999,000
Share issue costs	11(b), 11(c)	**-**	(34,052)
Loan repayment		**-**	(1,675,109)
		-	2,351,922
Foreign exchange effect on cash and cash equivalents		**(4,745)**	(3,660)
Net decrease in cash and cash equivalents		**(981,808)**	(3,012,958)
Cash and cash equivalents, beginning of the year		**1,210,003**	4,222,961
Cash and cash equivalents, end of the year		**$ 228,195**	$ 1,210,003

See the accompanying notes to the consolidated financial statements.

1. Nature of operations

Esrey Resources Ltd. (the “Company” or "Esrey") was incorporated on February 24, 2000 in the Province of British Columbia, Canada and its common shares trade under the symbol “ESR” on the TSX Venture Exchange. The address of Esrey's registered office is Suite 1000, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

During the years ended September 30, 2018 and 2019, the Company had a pilot metal recovery plant in Macedonia which focused on developing a hydrometallurgical process to efficiently extract zinc and other metals from feed waste material on an economically viable scale. The Company expects that the hydrometallurgical process can also be applied in active mining operations and is currently looking for new mineral resources projects where this process can be used.

2. Basis of presentation and going concern

(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”) were approved and authorized for issuance by the Board of Directors as of August 6, 2020.

(b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, and are presented in Canadian dollars, unless otherwise indicated.

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and exercise judgment in applying the Company’s accounting policies. As a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficit as at September 30, 2019. In the short-term, the Company will require funding to eliminate this working capital deficit. The Company has no ability to raise financing until its financial disclosures are up to date with the TSX Venture Exchange and other regulatory authorities in Canada. The Company is currently the subject of cease trade orders due to not having completed the audit and filing of its consolidated financial statements and MD&A for the year ended September 30, 2019, and consequently the filing of its consolidated financial statements and MD&A for the three months ended December 31, 2019 and for the six months ended March 31, 2020 by the required regulatory filing deadlines. The Company will actively seek to raise financing once the cease trade orders are revoked. There can be no assurance that short-term funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to continue as a going concern.

2. Basis of presentation and going concern (continued)

(c) *Going concern* (continued)

In the longer-term, the Company will require significant funding to seek new business opportunities in the mineral resource sector. There can be no assurance that funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to acquire new projects. Even if adequate funds are available, there is no guarantee that any new projects acquired would be successfully developed to a stage where they could generate future cash flows. As a result, material uncertainties exist that may cast significant doubt with respect to the Company’s ability to continue as a going concern.

Management believes the use of the going concern assumption is appropriate based upon the assumption that the Company will have sufficient cash resources to meet its ongoing obligations as they become due in the normal course of operations. The Company has successfully raised financing in the past and while it believes that it may be able to raise the necessary financing in the future, market conditions may not be supportive of this.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the consolidated financial statements.

3. Summary of significant accounting policies

The Company’s principal policies have been outlined below.

(a) Consolidation principles

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. See Note 5(a) for further details on the Company’s subsidiaries.

(b) Associates and joint ventures

Investments in which the Company does have significant influence but not control are classified as equity investments and are accounted for using the equity method, where the Company's share of income or losses are recognized in income or loss and its share of other comprehensive income or loss is recognized in other comprehensive income or loss. When the Company's cumulative share of losses equals or exceeds the Company's carrying amount of the investment, the Company does not recognize further losses unless the Company has incurred obligations or made payments on behalf of the investment. After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss. Any loss is recognized in income or loss.

A joint arrangement is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control. Joint control exists when the parties involved in the contractual arrangement agree to share control over the economic activity, and the financial and operating decisions are agreed to be made by unanimous consent of the parties sharing control.

3. Summary of significant accounting policies (continued)

(b) Associates and joint ventures (continued)

There are two types of joint arrangements: joint operations and joint ventures. A joint operation exists when the parties with joint control have rights to the assets and the obligations for the liabilities. A joint venture exists when the parties with joint control have the rights to the net assets of the arrangement.

The Company has an interest in one joint venture and accounts for this investment using the equity method Note 5(b).

(c) Foreign currency translation

(i) Functional and presentation currency
The Company's presentation currency is the Canadian dollar ("$"). Several of Esrey's subsidiaries transact in currencies other than the Canadian dollar. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. During the year ended September 30, 2019, the Company has subsidiaries where the functional currency has been determined to be the United States dollar and the Papua New Guinea kina.

The assets and liabilities included in these consolidated financial statements are translated from functional currency to the Company's presentation currency using the exchange rates at period end. Income, expenses and cash flow items included in these consolidated financial statements are translated from functional currency to the Company's presentation currency using the exchange rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The differences arising upon translation from the functional currency to the reporting currency are recorded as foreign currency translation adjustments in other comprehensive income ("OCI") and remain in OCI until a subsidiary is partially or fully disposed of, or until the Company determines that it is abandoning all of the non-financial assets which are held by that subsidiary. Upon disposal, the corresponding foreign currency translation adjustment is removed from OCI and is recognized as a realized foreign exchange gain or loss in net income.

(ii) Foreign currency transactions
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(d) Financial instruments

(i) Financial assets
The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("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. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

3. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

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 or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition 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 de-recognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(i) Financial liabilities

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and short-term money market investments that are readily convertible to cash with original terms of three months or less.

(f) Pilot plant and equipment

Pilot plant and equipment are stated at historical cost less depreciation and amortization and, where necessary, write-downs for impairment. The cost of the pilot plant and laboratory in Macedonia comprises all directly attributable costs necessary to construct and equip the pilot plant. Capitalized costs are reviewed at each reporting date for indications of potential impairment.

Depreciation and amortization are calculated using the following rates and methods based on the estimated useful lives of the assets:

3. Summary of significant accounting policies (continued)

(f) Pilot plant and equipment (continued)

Pilot plant and laboratory	20% straight line
Office furniture, equipment, computers and software	20% straight line
Vehicles	20% straight line

The assembly of the pilot plant and laboratory was substantially completed as at September 30, 2017, and accordingly, the Company started to record depreciation commencing October 1, 2017 when it started to utilize these assets. Depreciation and amortization methods, useful lives and residual values are reviewed annually, with any amendments considered to be a change in estimate accounted for prospectively.

(g) Project development costs

The Company is developing a hydrometallurgical process to produce zinc and other metals from feed waste material. Project development costs on research activities are recognized as an expense as incurred. Project development costs are recognized as an intangible asset when the Company can demonstrate all of the following:

(i) the technical feasibility of completing the hydrometallurgical process to extract zinc and other metals from feed waste material so that it will be available for use or sale.
(ii) the intention to complete the hydrometallurgical process and use or sell it.
(iii) the ability to use or sell the hydrometallurgical process.
(iv) it is probable that the hydrometallurgical process will generate future economic benefits and that among other things, the Company can demonstrate the existence of a market for the output of the hydrometallurgical process or the hydrometallurgical process itself or, if it is to be used internally, the usefulness of the hydrometallurgical process.
(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the hydrometallurgical process.
(vi) the ability to measure reliably the expenditure attributable to the hydrometallurgical process during its development.

Capitalized project development costs are amortized on a straight-line basis over the period of their expected economic benefit.

As at September 30, 2019 and 2018, all project development costs were expensed as incurred.

(h) Impairment and reversal of impairment

(i) Impairment

At each reporting date, the Company assesses whether there is an indication that stockpile material rights, exploration and evaluation assets, and pilot plant and equipment may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal or value-in-use. In assessing value-in-use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When an asset does not generate separately identifiable cash flows, the impairment assessment is completed on cash generating units ("CGUs"), which are the smallest grouping of assets that generate independent, identifiable cash inflows. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount.

3. Summary of significant accounting policies (continued)

(h) Impairment and reversal of impairment (continued)

(ii) Reversal of impairment

For stockpile material rights, exploration and evaluation assets and pilot plant and equipment, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, an estimate of the assets or CGU's recoverable amount is completed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(i) Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligations at the reporting date.

(j) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in income or loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income tax, if any, is the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided for using the asset and liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced or not recognized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that do not affect accounting or taxable profit;
- goodwill; and
- investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

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.

3. Summary of significant accounting policies (continued)

(k) Basic and diluted income (loss) per share

Basic income (loss) per share is computed by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. Fully diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. When potentially dilutive securities are anti-dilutive, there is no difference between the basic and diluted income (loss) per share.

(l) Comprehensive income (loss) and non-controlling interest

Non-controlling interest is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss).

(m) Share capital

(i) Share-based payments
The share option plan allows the Company's directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payments with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value, measured at the grant date, of equity-settled share-based payments is charged to profit or loss over the period (or capitalized to the appropriate asset class corresponding to where employees' salaries and costs are capitalized) for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. The fair value of awards is calculated using the Black-Scholes Option Pricing Model and management considers the following factors:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Expected forfeitures

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 the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options or warrants are ultimately exercised, the applicable amounts of their fair values in the reserves account are transferred to share capital.

(ii) Share issuance costs
Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to abandoned share subscriptions are charged to operations.

3. Summary of significant accounting policies (continued)

(n) Application of new and revised IFRS

The following accounting policies were adopted by the Company on October 1, 2018 and had no significant impact on the Company's consolidated financial position and results of operations:

(i) Amended standard IFRS 2, *Share-based Payments*
The amendments clarify the classification and measurement of share-based payment transactions.

(ii) New standard IFRS 9, *Financial Instruments – Classification and Measurement*
IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS39.

(iii) Amended standard IFRS 10, *Consolidated Financial Statements*
The amendments deal with the sale or contribution of assets between an investor and its associate or joint venture.

(iv) Amended standard IAS 28, *Investments in Associate and Joint Ventures*
The amendments to IAS 28 deal with the sale or contribution of assets between an investor and its associate or joint venture.

(v) New standard IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 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 information and relevant information.

(o) Future accounting pronouncements

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective for the year ended September 30, 2019 statements:

(i) New standard IFRS 16, Leases
IFRS 16 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. Effective for annual periods commencing on or after January 1, 2019.

(ii) New standard IFRIC 23, *Uncertainty over Income Tax Treatments*
IFRIC 23 is a new standard that sets out to clarify the accounting for uncertainties in income taxes.

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

4. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net income (loss) and/or comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Judgments and estimates made by management in the application of IFRS that have a significant effect on the consolidated financial statements are discussed below.

Critical accounting estimates

Share-based payments
The Company measures the cost of equity-settled transactions based on the fair value of the equity instruments on the date of grant. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions used for estimating the fair value for share-based payment transactions are disclosed in Note 11(d).

Critical accounting judgments

(a) Project development costs
As set out in Note 3(g), project development costs are capitalized when the Company can demonstrate that certain criteria are all met. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, including judgments about technical feasibility, whether it is likely that future economic benefits will flow to the Company, and the availability of adequate technical, financial and other resources to complete the development, which may be based on assumptions about future events or circumstances. These estimates and assumptions may change as new information becomes available.

(b) Estimation of useful life of the pilot plant
The Company determines the estimated useful lives and related depreciation for its pilot plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(c) Determination of CGUs
A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

4. Critical accounting estimates and judgments (continued)

Critical accounting judgments (continued)

(d) Impairment of assets

Significant judgment is exercised in connection with the assessment of whether exploration and evaluation assets, stockpile material rights, and the pilot metal recovery plant and equipment are impaired, including the determination of and allocation of assets to CGUs for the purposes of impairment testing. The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the asset category. The application of the Company's accounting policies requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. At each balance sheet date, management reviews whether events or circumstances have occurred to indicate that the carrying amounts of the Company's long-lived assets with finite useful lives may be less than their recoverable amounts. Underlying assumptions used in this assessment are influenced by industry conditions, economic uncertainty and management's intention at the point of assessment. Judgment used in determining whether an asset or asset group is impaired, the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

(e) Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgement is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement. Based on assessment of the relevant facts and circumstances, primarily, the requirement for unanimous agreement on management decisions relating to the financing and operation of the arrangement, the Company concluded that EERL Holdings met the criteria to be classified as a joint venture (Note 7).

The Company also applies judgement to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgement in this determination is whether the component represents a separate major line of business or geographical area of operation.

(f) Assets held for sale and discontinued operations

The Company applies judgement to determine whether an asset or disposal group is available for immediate sale in its present condition and that its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: an appropriate level of management is committed to a plan to sell the asset or disposal group, an active program to locate a buyer and complete the plan has been initiated, the asset or disposal group has been actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale of the asset or disposal group is expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

4. Critical accounting estimates and judgments (continued)

Critical accounting judgments (continued)

(g) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the applicable tax laws in the jurisdictions in which the Company operates. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. However, the final outcome may result in a materially different outcome.

In determining its current and deferred tax provisions, the Company must apply judgment when interpreting and applying complex and changing tax laws and regulations. The determination of the appropriate application of these laws and regulations by tax authorities may remain uncertain for several years. The final outcome of such determination could result in amounts different from those initially recorded and would impact current or deferred tax expense in the period in which a determination is made. The determination of deferred tax asset recognition also requires judgment regarding the Company's ability to more likely than not utilize that asset.

(h) Functional currency

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps its receipts from operating activities and in which currency the Company has received financing. Management used its judgment to assess these factors.

(i) Disposal of an entity

The Company has exited from certain foreign regions where it has conducted oil and gas activities and has wound up certain subsidiaries and withdrawn from joint ventures related with these activities. The Company considers the disposal of an entity for accounting for the related OCI (Note 3(c)(i)) to be when the oil and gas activities have substantively ceased, the operations are inactive, and there are no immediate plans to recommence activities. At such time, the Company considers it has realized its investment in these foreign operations and that the operations have been in substance liquidated, even if the formal process of liquidating the legal body in which the foreign operation was carried on had not occurred at that time.

(j) Contingencies

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimates of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

(k) Going concern

Concluding that the going concern assumption is appropriate based on the assumption that the Company will have sufficient cash resources to meet its ongoing obligations as they become due in the normal course of operations requires judgement.

(Expressed in Canadian dollars)

5. Subsidiaries and joint ventures

(a) Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation[1]	Proportion of ownership interest and voting power held at September 30, 2019	September 30, 2018
LNG Energy (BC) Ltd. ("LNG BC")	Holding Company	BC	**100%**	100%
LNG Exploration Ltd. ("LNG Exploration")	Holding Company	BC	**100%**	100%
LNG Energy (PNG) Limited ("LNG PNG")	Holding Company	PNG	**100%**	100%
LNG Energy No. 2 Limited ("LNG No. 2")	Holding Company	PNG	**100%**	100%
Telemu No. 18 Limited ("Telemu")	Holding Company	PNG	**84.25%**[2]	84.25%
Basin Tishomingo Holdings Inc. ("BTH")	Holding Company	Delaware	**100%**	100%
EERL (BVI) Ltd. ("EERL BVI")	Holding Company	BVI	**100%**	100%
Evolution Petroleum Corporation ("EPC")	Holding Company	BVI	**100%**	100%
Esrey Zinc Holdings Ltd. ("EZH")	Holding Company	Barbados	**100%**	100%
Esrey Zinc Sales Ltd. ("EZS")	Holding Company	Barbados	**100%**	100%
Power Zinc Limited ("Power Zinc")	Holding Company	Malta	**100%**	100%
Esrey ZM Dooel ("EZM")	Operating Company	Macedonia	**100%**[3]	100%

(1) The following abbreviations have been used: British Columbia ("BC"), Papua New Guinea ("PNG"), British Virgin Islands ("BVI").
(2) The Company has a direct 68.5% ownership interest and holds an additional 15.75% through its interest in EERL Holdings (BVI) Ltd.
(3) In November 2017, the Company acquired EZM from PRG Plc. for total consideration of 5,000 euros. At the time of acquisition, EZM had 5,000 euros in cash and no other assets or liabilities on its balance sheet.

(b) Joint venture

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held on September 30, 2019	September 30, 2018
EERL Holdings (BVI) Ltd. ("EERL Holdings") (Note 5(c))	Holding Company	BVI	**50%**	50%

(c) EERL Holdings

As at September 30, 2019, the Company holds a 50% interest in EERL Holdings. The remaining 50% ownership is owned by a third party. EERL Holdings owns 31.5% of Telemu (Note 7). As at September 30, 2019, the investment in EERL Holdings is $111,727 (September 30, 2018 – $114,553).

As at September 30, 2019, included in amounts receivable and in accounts payable and accrued liabilities are a US$100,000 (September 30, 2019 - $132,430; September 30, 2018 - $129,450) receivable by EERL BVI from EERL Holdings, and a US$135,500 (September 30, 2018 - US$126,000) (September 30, 2019 - $179,443; September 30, 2018 - $163,107) payable by Telemu to EERL Holdings. Both the receivable and payable amounts are non-interest bearing and have no fixed date of repayment.

6. Property investigation costs

During the year ended September 30, 2019, the Company incurred costs of $nil (September 30, 2018 - $540,425) for investigating various industrial sites in Macedonia for a suitable location for the Company's proposed full scale hydro-metallurgical zinc processing plant. The costs for the year ended September 30, 2018 included 250,000 euros ($382,135) which the Company paid as a non-refundable deposit for the purchase of a parcel of land in Macedonia. The purchase transaction was not successfully consummated as a result of circumstances within the control of the seller. As a result, the Company believes that it has a claim for the refund of the deposit and is seeking to recover the deposit from the seller (Note 21(a)).

7. Joint venture – EERL Holdings

As at September 30, 2019, the Company holds a 50% interest in EERL Holdings. The remaining 50% ownership in EERL Holdings is owned by a third party. EERL Holdings owns 31.5% of Telemu. As at September 30, 2019, the investment in EERL Holdings is $111,727 (September 30, 2018 – $114,553).

Summarized financial information for EERL Holdings is set out below. This summarized information represents amounts shown in the joint venture's financial statements.

(i) EERL Holdings's net assets

		September 30, 2019		September 30, 2018
Cash and cash equivalents	**$**	**-**	$	13,319
Amounts receivable from Telemu		**413,050**		391,457
Investment in Telemu		**-**		-
Accounts payable and accrued liabilities		**(139,409)**		(131,780)
Net assets	**$**	**273,641**	$	272,996

The amounts receivable from Telemu are denominated in US dollars (September 30, 2019 – US$311,900 and September 30, 2018 – US$302,400), are non-interest bearing and have no fixed date of repayment. The corresponding amounts in Telemu were US$135,500 ($179,443) recorded in accounts payable and accrued liabilities (Note 5(c)) and US$176,400 ($233,697) recorded in loan payable (Note 8).

The accounts payable and accrued liabilities include a payable from EERL Holdings to Telemu of $132,430 (September 30, 2018 - $129,450) which is denominated in US dollars (September 30, 2019 and 2018 – US$100,000), is non-interest bearing and has no fixed date of repayment.

(ii) EERL Holdings's statement of comprehensive loss

		Year ended September 30, 2019		Year ended September 30, 2018
Expenses	**$**	**(5,652)**	$	(5,349)
EERL Holdings' share of Telemu's loss		**-**		-
Net loss		**(5,652)**		(5,349)
Other comprehensive income		**6,297**		9,955
Total comprehensive income	**$**	**645**	$	4,606

7. Joint venture (continued)

(iii) Reconciliation of summarized financial information

The following table reconciles EERL Holdings' summarized financial information to the carrying value of the Company's interest in the joint venture.

	September 30, 2019	September 30, 2018
Opening net assets	**$ 272,996**	$ 268,390
Net loss	**(5,652)**	(5,349)
Other comprehensive income	**6,297**	9,955
Closing net assets	**$ 273,641**	$ 272,996
Percentage interest in joint venture	**50.00%**	50.00%
Interest in joint venture	**136,821**	136,498
Cumulative exchange losses on joint venture net assets	**(25,094)**	(21,945)
Investment in joint venture	**$ 111,727**	$ 114,553

8. Loan payable

As at September 30, 2019, the Company's subsidiary, Telemu, has a loan payable to EERL Holdings of $233,697 (September 30, 2018 - $227,677). The loan is denominated in US dollars (September 30, 2019 and 2018 – US$176,400), is non-interest bearing and has no fixed date of repayment.

9. Discontinued operations

Prior to the year ended September 30, 2017, the Company was engaged in activities related to its oil and gas properties located primarily in Papua New Guinea. During the year ended September 30, 2018, the Company determined that while it continued to hold oil and gas concessions in PNG, activities in PNG had substantially ceased and it did not intend to conduct any further activities in PNG. During the year ended September 30, 2018, the Company terminated its former President and Chief Executive Officer, who was an experienced oil and gas executive (Note 16(b)(i)), and commenced the repatriation of its cash holdings from its PNG bank accounts.

As a result, foreign currency translation amounts relating to its PNG assets as at September 30, 2018 were removed from accumulated other comprehensive income and were recognized as a $7,945,220 realized foreign exchange gain as income from discontinued operations in net loss for the year ended September 30, 2018.

(Expressed in Canadian dollars)

10. Pilot plant and equipment

	Pilot metal recovery plant	Office equipment and vehicles	Total
Cost			
Balance, September 30, 2017	$ 3,310,084	$ -	$ 3,310,084
Additions	78,162	12,334	90,496
Write-down of equipment	(453,151)	-	(453,151)
Foreign exchange movement	113,068	105	113,173
Balance, September 30, 2018	**$ 3,048,163**	**$ 12,439**	**$ 3,060,602**
Additions	30,152	-	30,152
Foreign exchange movement	63,228	286	63,514
Write-off	(3,141,543)	(12,725)	(3,154,268)
Balance, September 30, 2019	**$ -**	**$ -**	**$ -**
Accumulated depreciation			
Balance, September 30, 2017	$ -	$ -	$ -
Depreciation	690,743	-	690,743
Foreign exchange movement	5,538	-	5,538
Balance, September 30, 2018	**$ 696,281**	**$ -**	**$ 696,281**
Depreciation	606,127	2,550	608,677
Foreign exchange movement	11,934	(6)	11,928
Write-down of pilot plant and equipment	(1,314,342)	(2,544)	(1,316,886)
Balance, September 30, 2019	**$ -**	**$ -**	**$ -**
Carrying amount			
Carrying value at September 30, 2017	$ 3,310,084	$ -	$ 3,310,084
Carrying value at September 30, 2018	$ 2,351,882	$ 12,439	$ 2,364,321
Carrying value at September 30, 2019	**$ -**	**$ -**	**$ -**

On July 21, 2017, the Company completed the acquisition of 100% of the shares of Power Zinc, a majority-owned subsidiary of PRG Plc. (“PRG”), a private Malta company at arm’s length to the Company and its directors and officers at the time of the transaction (the “Acquisition”). As a result of the Acquisition, Ray Power, one of the principals and major shareholders of PRG became a director and a 10.2% shareholder of the Company on July 21, 2017. Mr. Power ceased to be a director on August 31, 2018 (see Note 16 – related party transactions).

The principal assets of Power Zinc included the contractual rights to the zinc Milosheve Stockpile Material (the “MSM”) located in Kosovo and the construction in progress of a pilot metal recovery plant located in Macedonia. The MSM was written off during the year ended September 30, 2018.

As part of the arrangement with PRG, the Company verbally agreed with PRG that subsequent to the acquisition of Power Zinc, PRG would be contracted to complete the construction of the pilot metal recovery plant already under construction at a total construction cost of US$2,500,000 (($3,120,000), which cost was recorded at September 30, 2017 (Note 21(b)).

During the quarter ended September 30, 2019, the Company’s operations in Macedonia were put on hold until such time as financing becomes available, and accordingly, the Company wrote off the remaining undepreciated value of its pilot plant and equipment.

(Expressed in Canadian dollars)

11. Share capital

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issuance of shares

Private Placement
On March 29, 2018, the Company closed the first tranche of a non-brokered private placement pursuant to which it issued 12,725,000 units at a price of $0.20 per unit for gross proceeds of $2,545,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.40 for a term of five years. The securities were subject to a hold period expiring July 30, 2018.

On April 10, 2018, the Company closed the second and final tranche of the non-brokered private placement pursuant to which it issued 7,270,000 units at a price of $0.20 per unit for gross proceeds of $1,454,000. The Company also issued a finder’s fee of 158,100 units to third party finders in connection with the closing of the second tranche. The securities issued were subject to a hold period expiring August 11, 2018.

Combined with the first tranche (but not including the finders’ fee units), the Company issued an aggregate of 19,995,000 units for total gross proceeds of $3,999,000. On completion of the private placement, the Company had 101,175,306 shares issued and outstanding.

Share issue costs in connection with the private placement amounted to $65,672, of which $34,052 is comprised mainly of legal and regulatory fees, and the remaining $31,620 represents the fair value of the finder’s fee 158,100 units as described above.

(c) Share purchase warrants

The following warrants are outstanding as at September 30, 2019 and 2018:

	September 30, 2019		September 30, 2018		
	Number of Warrants	**Average Exercise Price**	Number of Warrants	Average Exercise Price	Expiry Date
Balance, beginning of the period	20,153,100	$0.40	-	-	
Private Placement - March 29, 2018	-		12,725,000	$0.40	29-Mar-23
Private Placement - April 10, 2018	-		7,270,000	$0.40	10-Apr-23
Warrants issued as finders' fee	-		158,100	$0.40	10-Apr-23
Balance, end of the period	**20,153,100**	**$0.40**	**20,153,100**	**$0.40**	

In connection with the March 29, 2018 and April 10, 2018 private placements of units (Note 11(b)), 12,725,000 and 7,428,100 warrants were issued respectively. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.40 for a term of five years. The expiry of the Warrants may however be accelerated at the election of the Company in circumstances where, at any time following 4 months from the issuance of the Warrants, the closing price of the Company’s shares on the TSX Venture Exchange is equal to or greater than $0.75 for 20 consecutive trading days. In such case, the Company may give notice to the holders of the Warrants that the Warrants will expire 30 days following such notice.

(Expressed in Canadian dollars)

11. Share capital (continued)

(c) Share purchase warrants (continued)

The fair value of the warrants issued is estimated at the time of the issue using the Black-Scholes Option Pricing Model with the following assumptions:

	April 10, 2018	March 29, 2018
Exercise price per warrant	$0.40	$0.40
Share price at date of issue	$0.21	$0.25
Expected life	5 years	5 years
Risk-free interest rate	2.03%	1.96%
Dividend yield	Nil	Nil
Expected volatility	211.54%	212.41%
Estimated fair value per warrant	$0.10	$0.10

Consideration received for the private placement units has been allocated between common shares and share purchase warrants on the relative fair value method.

(d) Share options

The changes in share options during the years ended September 30, 2019 and 2018 were as follows:

	September 30, 2019		September 30, 2018	
	Number of Options	**Average Exercise Price**	Number of Options	Average Exercise Price
Balance, beginning of the year	5,043,500	$0.12	7,099,500	$0.11
Granted	-	-	640,000	$0.16
Exercised	-	-	(496,666)	$0.13
Forfeited	(1,232,000)	$0.13	(2,199,334)	$0.12
Expired	(639,500)	$0.12	-	-
Balance, end of the year	**3,172,000**	**$0.12**	5,043,500	$0.12

On October 5, 2017, the Company granted 590,000 stock options to a director and a consultant of the Company exercisable at $0.15 per share and expiring on October 5, 2022. One-third of these options vested immediately, one-third vested on April 5, 2018, and one-third vested on October 5, 2018.

On March 1, 2018, the Company granted 50,000 stock options to an employee of the Company exercisable at $0.24 per share and expiring on March 1, 2023. One-third of these options vested immediately, one-third vested on September 1, 2018, and one-third vested on March 1, 2019.

(Expressed in Canadian dollars)

11. Share capital (continued)

(d) Share options (continued)

The fair value of the options granted is estimated at the time of the grant using the Black-Scholes Option Pricing Model with the following assumptions:

	March 1, 2018	**October 5, 2017**
Exercise price per option	$0.24	$0.15
Share price at date of grant	$0.24	$0.15
Expected life	5 years	5 years
Risk-free interest rate	1.99%	1.75%
Dividend yield	Nil	Nil
Expected volatility	212.92%	211.94%
Total fair value of options	$11,803	$86,991
Estimated fair value per option	$0.24	$0.15

During the year ended September 30, 2019, 1,197,000 and 35,000 stock options were forfeited at an exercise price of $0.125 and $0.15 respectively, and 639,500 stock options with at an exercise price of $0.12 expired unexercised.

The following table summarizes information about outstanding and exercisable options at September 30, 2019.

Options outstanding	**Options exercisable**	**Exercise Price**	**Expiry Date**
1,507,000	1,507,000	$0.095	April 2, 2020
1,060,000	1,060,000	$0.125	August 9, 2022
555,000	555,000	$0.15	October 5, 2022
50,000	50,000	$0.24	March 1, 2023
3,172,000	**3,172,000**		

The weighted average exercise price of options exercisable at September 30, 2019 is $0.12 per share (September 30, 2018 - $0.12 per share). The weighted average remaining life of exercisable options is 1.75 years (September 30, 2018 – 2.66 years).

On April 2, 2020, a total of 1,507,000 options with an exercise price of $0.095 expired unexercised.

(Expressed in Canadian dollars)

11. Share capital (continued)

(e) Share appreciation rights plan

On June 21, 2018, the Company's shareholders approved a share appreciation rights plan ("SARs Plan") which authorizes the directors of the Company to grant share appreciation rights ("SARs") to directors, officers, employees and consultants of the Company, excluding consultants performing investor relations activities.

Pursuant to a SAR agreement (the "SAR Agreement") a SAR gives the holder the right to receive from the Company a cash payout equal to the difference between the fair market value of the Company's common shares at the time of exercise (determined as the closing price of such shares on the trading day prior to exercise) and the dollar amount set out in the SAR Agreement, which amount shall be not less than the Discounted Market Price (as defined under the policies of the TSX Venture Exchange).of the Company's shares at the time the SAR Agreement is entered into.

The material terms of the SAR Plan include:

(i) the maximum term of a SAR is ten years from the date of the applicable SAR Agreement;

(ii) the maximum number of SARs that may be issued under the Plan at any time is 1,000,000 subject to increase with disinterested shareholder approval; and

(iii) the maximum number of SARs that can be granted to any one person in a 12 month period is a number equal to 1% of the then outstanding shares of the Company.

As at September 30, 2019 and 2018, no SARs have been granted by the Company.

12. Non-controlling interest

The Company has an 84.25% interest in Telemu, an oil and gas company incorporated in PNG. 15.75% of Telemu's equity (deficiency) and total comprehensive loss is allocated to the non-controlling interest using the indirect method. The non-controlling interest during the year ended September 30, 2019 is comprised of the following amounts:

Balance, September 30, 2017	**$**	**(293,966)**
Non-controlling interests' share of Telemu's loss		(13,178)
Foreign exchange translation		(636)
Balance, September 30, 2018	**$**	**(307,780)**
Non-controlling interests' share of Telemu's income		830
Foreign exchange translation		1,180
Balance, September 30, 2019	**$**	**(305,770)**

(Expressed in Canadian dollars)

13. Income tax

The provision for income taxes reported differs from the amount computed by applying the Canadian federal and provincial income tax rates to the loss for the year before tax due to the following:

	September 30, 2019	September 30, 2018
Loss for the year before taxes	$ (4,756,110)	$ (11,395,972)
Statutory rates	27.0%	27.0%
Expected tax recovery	(1,284,150)	(3,076,912)
Difference in tax rates between foreign jurisdictions and Canada	237,906	1,217,577
Items not deductible for income tax purposes	47,494	169,041
Change in unrecognized tax benefit	998,750	1,625,598
Other	-	64,696
Income tax expense (recovery)	$ -	$ -

Deferred tax assets have not been recognized for the following deductible temporary differences:

	September 30, 2019	September 30, 2018
Non-capital loss carry forwards	$ 129,648,049	$ 126,034,537
Capital loss carry forwards	1,532,409	1,532,409
Property, plant and equipment	164,225	145,593
Exploration and evaluation assets	9,443,744	9,443,744
Other	2,749,247	2,682,469
	$ 143,537,674	$ 139,838,752

Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available to utilize the deferred tax assets.

The Company had non-operating losses in Canada, Macedonia and Papua New Guinea. The Company has total non-operating losses of approximately $129.6 million available to apply against future income for tax purposes. These losses expire between 2020 and 2039.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net profit or loss, tax assets and operating loss carry-forwards. The Company provides for such reassessments when it is probable that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated.

(Expressed in Canadian dollars)

14. Loss per share from continuing operations

The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Year ended September 30, 2019	Year ended September 30, 2018
Weighted average number of ordinary shares	**100,175,306**	89,728,855
Effect of dilutive securities:		
Stock options	**-**	2,034,332
Diluted weighted average number of ordinary shares	**100,175,306**	91,763,187

As at September 30, 2019, the Company had 23,325,100 (September 30, 2018 – 22,948,934) potential ordinary shares that are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options and share purchase warrants were based on quoted market prices for the periods during which the options and share purchase warrants were outstanding.

15. Supplemental cash flow disclosure

(a) The following tables provide further information with regards to the changes in non-cash working capital disclosed in the statement of cash flows:

		Year ended September 30, 2019		Year ended September 30, 2018
Amounts receivable	**$**	**97,986**	$	(142,811)
Prepaid expenses and deposits		**121,789**		(81,306)
Accounts payable and accrued liabilities		**1,110,690**		308,414
Net changes in non-cash working capital items	**$**	**1,330,465**	$	84,297

(b) At September 30, 2019, the Company had cash of $228,195 (September 30, 2018 – $612,003) and cash equivalents of $nil (September 30, 2018 – $598,000).

(c) Other non-cash transactions that occurred during the years ended September 30, 2019 and 2018 are disclosed in Note 11.

16. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Company and its joint venture are disclosed in Notes 5, 7 and 8. Details of the transactions between the Company and other related parties are disclosed below.

(Expressed in Canadian dollars)

16. Related party transactions (continued)

(a) Transactions

During the years ended September 30, 2019 and 2018, the Company's related parties consisted of (a) private companies owned by executive officers and directors and (b) a private company owned by a family member of one of the Company's directors and (c) an entity partly owned and having a cost-sharing agreement with the Company (see (a)(ii)), as follows:

	Nature of transactions involved	**Relationship to the Company**
Maluti Services Limited ("Maluti")	Management, general and administrative, and travel and business development	CEO
TRG Resources Ltd.	Management	CEO until October 5, 2017
Jazz Financial Ltd. ("Jazz")	Management	CFO until September 30, 2019
Pangea Management Corp.	Consulting	Family member of CEO
Sterling West Management Ltd. ("Sterling")	Management and general and administrative	See (ii) below
PRG Plc.	Construction and assembly of pilot metal recovery plant and project development costs	Director until August 31, 2018 (see (i) below) and significant shareholder

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors and their relatives.

	Note	**Year ended September 30, 2019**	Year ended September 30, 2018
Salaries and management fees	(ii)	**694,436**	662,528
General and administrative expenses	(ii)	**168,293**	161,664
Travel and business development		**-**	108,241
Project development costs (Note 10)	(i)	**-**	1,906,424

(i) Effective October 1, 2017, the Company entered into a services contract with PRG ("PRG Services Contract") to make the necessary modifications to the pilot plant in order to get it fully operational and to assist the Company in designing a full scale hydro-metallurgical zinc processing plant. The fees for PRG's services under this arrangement were fixed at US$180,000 per month until March 31, 2018 and were reduced to approximately US$60,000 from April 1, 2018 and June 30, 2018. The contract was terminated on June 30, 2018.

During the year ended September 30, 2018, the total fees pursuant to the PRG Services Contract amounted to US$1,273,317 ($1,619,463). In addition, the Company paid PRG $286,960 for external security services at the pilot plant, rent for using PRG's leased premises for the pilot plant and the laboratory, and the reimbursement of miscellaneous laboratory and pilot plant equipment and supplies which the Company requested PRG to purchase on its behalf.

(Expressed in Canadian dollars)

16. Related party transactions (continued)

(a) Transactions (continued)

(ii) The Company is party to a shareholders' cost-sharing agreement with certain other public and private companies (the "Other Companies") pursuant to which the Company and the Other Companies are equal shareholders in Sterling and, through Sterling, share office space (until September 30, 2018 after which the Company entered into a separate office lease (Note 20)), furnishings, equipment and communications facilities (on a cost recovery basis) and the employment of various administrative, office and management personnel in Vancouver, B.C., Canada. Costs of the shared office facilities and the shared employees are recovered from the Company in proportion to the time spent by the shared employees on matters pertaining to the Company. During the year ended September 30, 2019, the Company's share of management and overhead costs was $293,223 (September 30, 2018 - $288,280), recorded as general and administrative expenses in the consolidated statements of loss and comprehensive loss.

The Company accounts for Sterling using the equity method. As at September 30, 2019, the amount owing to Sterling was $185,915 (September 30, 2018 – $30,100). This amount is net of a $57,000 deposit with Sterling which was included in prepaid expenses and deposits at September 30, 2018. Subsequent to the year-end, Sterling assigned its $199,613 receivable to Armex Mining Corp., a private company controlled by the Company's current CEO (Note 22(b)).

(b) Compensation of key management personnel

The remuneration of directors and other key members of management personnel during the years ended September 30, 2019 and 2018 were as follows:

	Note	**Year ended September 30, 2019**	Year ended September 30, 2018
Remuneration	(i)	**557,506**	692,527
Directors' fees		**16,000**	16,072
Share-based payments	(ii)	**1,100**	157,506
		$ 574,606	$ 866,105

(i) Remuneration includes management fees disclosed in Note 16(a) which also included termination fees aggregating $150,786 (US$120,000) paid to two former officers of the Company during the year ended September 30, 2018.
(ii) Share-based payments are the fair value of options granted to key management personnel.

The services of the Company's CEO and CFO are provided pursuant to management services contracts with Maluti and Jazz, respectively. Under the terms of these contracts, in the event of termination without cause, Maluti and Jazz are entitled to termination payments of US$240,000 ($317,832) and US$180,000 ($238,374), respectively. The Company's CFO resigned on September 30, 2019 and the Company's CEO resigned on February 27, 2020. Termination payments were not paid with these resignations.

Except as disclosed under Note 16(b)(i) above, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the year ended September 30, 2019 and 2018. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at September 30, 2019 included directors' fees of $12,000 (September 30, 2018 – $nil), consulting fees of $12,000 (September 30, 2018 – $nil), and remuneration of $557,506 to other key management personnel (September 30, 2018 – $nil). Subsequent to the year-end, all amounts due to related parties noted above were assigned to Armex Mining Corp., a private company controlled by the current CEO of the Company (Note 22(b)).

(Expressed in Canadian dollars)

17. Segmented information

Geographic Information

The Company's assets by geographic areas as at September 30, 2019 and 2018 are as follows:

	Papua New Guinea	Macedonia	Canada	Total
Cash and cash equivalents	$ 209,894	$ 6,984	$ 11,317	**$ 228,195**
Other current assets	13,590	74,370	146,365	**234,325**
Long-term deposit	-	-	25,973	**25,973**
Investment in joint venture	-	-	111,727	**111,727**
	$ 223,484	**$ 81,354**	**$ 295,382**	**$ 600,220**

September 30, 2018	Papua New Guinea	Macedonia	Canada	Total
Cash and cash equivalents	$ 481,778	$ 44,638	$ 683,587	$ 1,210,003
Other current assets	13,496	195,686	214,157	423,339
Property, plant and equipment	-	2,364,321	-	2,364,321
Long-term deposit	-	-	25,973	25,973
Investment in joint ventures	-	-	114,553	114,553
	$ 495,274	$ 2,604,645	$ 1,038,270	$ 4,138,189

The Company's expenses and income (loss) by geographic area for the year ended September 30, 2019 and 2018 are as follows:

Year ended September 30, 2019	**Papua New Guinea**	**United States**	**Macedonia**	**Barbados**	**Canada**	**Total**
Net income (loss)	**$ 58,072**	**$ 12,412**	**$ (3,166,076)**	**$ (546,982)**	**$ (1,113,536)**	**$ (4,756,110)**
Attributable to						
Non-controlling interest	$ 830	$ -	$ -	$ -	$ -	$ 830
Equity shareholders of the Company	57,242	12,412	(3,166,076)	(546,982)	(1,113,536)	(4,756,940)
	$ 58,072	**$ 12,412**	**$ (3,166,076)**	**$ (546,982)**	**$ (1,113,536)**	**$ (4,756,110)**

Year ended September 30, 2018	Papua New Guinea	United States	Macedonia	Barbados	Canada	Total
(Loss) income from continuing operations	$ (47,977)	$ 38,981	$ (2,583,590)	$ (7,229,739)	$ (1,573,647)	$ (11,395,972)
Income from discontinued operations	7,945,220	-	-	-	-	7,945,220
Net income (loss)	$ 7,897,243	$ 38,981	$ (2,583,590)	$ (7,229,739)	$ (1,573,647)	$ (3,450,752)
Attributable to						
Non-controlling interest	$ (13,178)	$ -	$ -	$ -	$ -	$ (13,178)
Equity shareholders of the Company	7,910,421	38,981	(2,583,590)	(7,229,739)	(1,573,647)	(3,437,574)
	$ 7,897,243	$ 38,981	$ (2,583,590)	$ (7,229,739)	$ (1,573,647)	$ (3,450,752)

18. Capital management

The Company manages, as capital, the components of shareholders' equity. The Company's objectives when managing capital are to (i) safeguard its ability to continue as a going concern in order to develop its zinc project and (ii) to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, enter into joint venture arrangements on its zinc projects, or borrow, acquire or dispose of assets.

The Company's policy is to invest its cash in highly liquid, interest-bearing, fully guaranteed bank-sponsored instruments with maturities of a year or less from the date of acquisition. The Company is not subject to externally imposed capital requirements.

19. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and loans payable.

(a) Fair value estimation of financial instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount for cash and cash equivalents, amounts receivable and accounts payable and loan payable on the statements of financial position approximate their fair value due to the short-term to maturities of these financial instruments. The carrying amount for loans payable approximates its fair value due to the short-term to maturity of this financial instrument.

(b) Financial risk management

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity and funding risk, and market risk. There have been no substantive changes in the Company's exposure to financial instrument risk, the Company's objectives, policies and processes for managing those risks or the methods used to measure them from previous years.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The overall objective of the Board is to set policies that seek to reduce the Company's risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(Expressed in Canadian dollars)

19. Financial instruments (continued)

(b) Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from the Company's cash and cash equivalents and amounts receivable. Cash and cash equivalents consist of cash on hand, deposits in major banks that are considered to be creditworthy, and highly liquid investments with an original maturity date of less than one year. Amounts receivable are comprised primarily of amounts due from a related party (Note 5(c)), GST receivables from the government of Canada and value-added tax receivables from the government of Macedonia. The carrying values of the financial assets represent the maximum credit exposure.

(ii) Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 cash equivalents, which are invested in business accounts and are available on demand.

Funding risk is the risk that the Company may not be able to raise financing in a timely manner and on terms acceptable to management. There is no assurance that such financing will be available when, and if, the Company requires additional financing (Note 2(c)).

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The following table summarizes the Company's significant remaining contractual maturities for financial liabilities at September 30, 2019 and 2018.

September 30, 2019

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	**$ 1,831,977**	**$ -**	**$ 1,831,977**
Loan payable (Note 8)	**233,679**	**-**	**233,679**
Lease commitments (Note 20)	**129,727**	**479,302**	**609,029**
Total	**$ 2,195,383**	**$ 479,302**	**$ 2,674,685**

September 30, 2018

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	$ 717,312	$ -	$ 717,312
Loan payable (Note 8)	$ 227,677		227,677
Lease commitments (Note 20)	123,583	609,028	732,611
Total	$ 1,068,572	$ 609,028	$ 1,677,600

(Expressed in Canadian dollars)

19. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Market risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

(1) Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company has minimal exposure to interest rate fluctuations on its cash and cash equivalent balances due to current low market interest rates. The amounts due to related parties and the loans payable are non-interest bearing.

(2) Foreign currency risk

Some of the Company's cash, expenditures, loans and accounts payable are denominated in the US dollar, Papua New Guinea kina, Macedonian denar and European Euro. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar, Papua New Guinea kina, Macedonian denar and European Euro. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

20. Commitment

On August 20, 2018, the Company entered into a five-year lease agreement for its head office premises in Vancouver, Canada, effective October 1, 2018. The annual minimum payments under this lease are as follows:

Years ending September 30,	$
2020	**129,727**
2021	**156,906**
2022	**161,198**
2023	**161,198**
	609,029

In connection with this lease, the Company has a $25,973 deposit with the landlord. This amount has been recorded as a "deposit" on the Company's consolidated statement of financial position as at September 30, 2019.

21. Contingencies

Due to the nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

(a) The Company is pursuing the recovery of a deposit paid in connection with the Company's investigation of a potential site for a future full-scale zinc processing plant (Note 6) through the legal system in Macedonia. The outcome of this matter is currently uncertain.

21. Contingencies (continued)

(b) Despite the Company's payment in full to PRG under a verbal agreement (Note 10), PRG has claimed that it had not properly transferred all the subject assets to the Company and not all necessary in-country legal agreements in Macedonia were properly completed in the transaction with PRG (Note 10) (the "Agreements"). The Company had been working to finalize these Agreements with PRG. If and when finalized, these Agreements would also formalize the previous verbal agreement with PRG (Note 10) for PRG to complete the construction of the pilot metal recovery plant for the Company at a total construction cost consideration of US$2,500,000 ($3,120,000).

Notwithstanding that the Company has written off all of its pilot plant and equipment in Macedonia during the year ended September 30, 2019, the Company believes that it retains title to all assets purchased from PRG on July 21, 2017 (including the pilot metal recovery plant construction in progress at the time) and that it retains title to all subsequent work performed by PRG to construct the pilot metal recovery plant for the Company in 2017 and 2018. As a result of preparing the Agreements, the Company identified that it is more likely than not that it owes Macedonian value-added taxes ("VAT") payable of approximately $45,000 on this transaction with PRG, which the Company has recorded in accrued liabilities as at September 30, 2019 and 2018. As the Company is entitled to reclaim VAT amounts paid, it has also recorded an equivalent amount in accounts receivable from the government of Macedonia as at September 30, 2019 and 2018.

(c) During the year ended September 30, 2019, PRG filed a claim against Esrey ZM, the Company's Macedonian subsidiary, for 824,836 denars ($19,423) plus interest and procedural costs for unpaid invoices which Esrey ZM had been disputing. Esrey ZM has formally filed an objection to the claim and an appeal to the local court. The Company has recorded this amount in accrued liabilities as at September 30, 2019.

(d) The Company has a quantity of zinc-containing material at its pilot plant which material was used in the development and testing of the zinc production methodology at the pilot plant. The amount of material at the pilot plant is currently undeterminable and the Company has no immediate plans to dispose the material. The costs to dispose the material is also currently undeterminable.

While the outcomes of these matters are uncertain, based upon the information currently available, the Company does not believe that these matters in aggregate will have a material adverse effect on its financial statements. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in its financial statements in the period in which such changes occur.

22. Subsequent events

a) On February 27, 2020, David Cohen, the Company's then President, Chief Executive Officer ("CEO"), director and interim Chief Financial Officer ("CFO") resigned from the Company, along with then directors Paul Larkin and Pablo Marcet. They were replaced by Allen D. Leschert, who assumed the role of CEO and director, Malcolm Fraser, who assumed the role of interim CFO and director, and W. Joseph Yelder and David Pasko, who joined as the Company's new independent directors.

b) On or about February 27, 2020, the Company's former CEO, CFO and directors assigned their respective management fees and directors' fees receivable (Note 16(b)) aggregating $581,506 to Armex Mining Corp., a company under the control of Allen D. Leschert, the current CEO and director of the Company. On or about the same date, Sterling West Management Ltd. also assigned its management fees receivable of $199,613 (as at September 30, 2019)(Note 16(a)(ii)) to Armex.

c) On April 2, 2020, a total of 1,507,000 options with an exercise price of $0.095 expired unexercised.