esrey

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended June 30, 2019 and 2018

(in Canadian dollars)

(Unaudited)

Esrey Resources Ltd.
(Unaudited)
June 30, 2019

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Esrey Resources Ltd.

Unaudited condensed consolidated interim statements of financial position
(Expressed in Canadian dollars)

	Note		**June 30, 2019**		September 30, 2018
ASSETS					
Current assets					
Cash and cash equivalents	10(b)	**$**	**228,961**	$	1,210,003
Amounts receivable	4(d)		**302,363**		302,850
Prepaid expenses and deposits	11(a)(ii)		**57,817**		120,489
			589,141		1,633,342
Non-current assets					
Pilot plant and equipment	5		**1,966,968**		2,364,321
Deposit	15		**25,973**		25,973
Investment in joint venture			**114,157**		114,553
		$	**2,696,239**	$	4,138,189
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	4(d)	**$**	**1,667,793**	$	717,312
Loans payable	6		**231,048**		227,677
			1,898,841		944,989
Equity					
Share capital	7		**117,291,708**		117,291,708
Share purchase warrants	7(c)		**1,960,356**		1,960,356
Contributed surplus			**13,555,568**		13,552,623
Accumulated other comprehensive income			**222,044**		139,966
Non-controlling interest	8		**(310,096)**		(307,780)
Deficit			**(131,922,182)**		(129,443,673)
			797,398		3,193,200
		$	**2,696,239**	$	4,138,189

Going concern (Note 2(d))
Commitments (Note 15)
Contingencies (Notes 16)

Approved and authorized for issue by the Board on August 29, 2019.

(Signed) "Paul Larkin"
Director

(Signed) "Pablo Marcet"
Director

See the accompanying notes to these unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

Unaudited condensed consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars, except per share amounts)

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018 (restated-Note2(b))	Nine months ended June 30, 2019	Nine months ended June 30, 2018 (restated-Note2(b))
Expenses:					
Project development costs		**$ 185,099**	$ 717,843	**$ 1,000,933**	$ 2,574,536
Property investigation costs		**-**	29,336	**-**	105,087
Depreciation		**153,196**	172,846	**457,281**	517,042
General and administrative expenses		**91,984**	58,843	**241,664**	206,467
Salaries and management fees		**178,216**	178,534	**611,399**	796,291
Legal, audit and accounting fees		**34,375**	26,090	**112,997**	160,346
Share-based payments	7(d)	**-**	49,933	**2,945**	320,147
Travel and business development		**-**	60,753	**-**	99,411
		(642,870)	(1,294,178)	**(2,427,219)**	(4,779,327)
Other income (expenses):					
Interest (expense) income		**(49)**	5,566	**1,829**	5,477
Other income		**1,999**	5,167	**9,959**	12,103
Loss from investment in joint venture		**-**	-	**(397)**	(393)
Foreign exchange gain (loss)		**(36,240)**	(38,829)	**(65,171)**	35,545
		(34,290)	(28,096)	**(53,780)**	52,732
Loss before income taxes		**(677,160)**	(1,322,274)	**(2,480,999)**	(4,726,595)
Income tax expense (recovery)		**-**	-	**-**	-
Net loss for the period		**$ (677,160)**	$ (1,322,274)	**$ (2,480,999)**	$ (4,726,595)
Attributable to:					
Non-controlling interest	8	**(2,269)**	(1,107)	**(2,490)**	(1,599)
Equity shareholders of the Company		**(674,891)**	(1,321,167)	**(2,478,509)**	(4,724,996)
		$ (677,160)	$ (1,322,274)	**$ (2,480,999)**	$ (4,726,595)
Other comprehensive loss					
Foreign currency translation attributed to non-controlling interest	8	**(4,012)**	1,503	**174**	5,444
Foreign currency translation for equity shareholders of the Company:		**6,837**	(203,573)	**82,078**	33,631
		$ (674,335)	$ (1,524,344)	**$ (2,398,747)**	$ (4,687,520)
Loss per share					
Basic and diluted attributable to equity shareholders of the Company	9	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.05)

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

Unaudited condensed consolidated interim statements of changes in equity
(Expressed in Canadian dollars, except for share amounts)

	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		-	-	-	320,147	-	-	-	320,147
Options exercised	7(d)	496,666	123,170	-	(61,087)	-	-	-	62,083
Private placement - Tranche 1	7(b),7(c)	12,725,000	1,286,068	1,258,932	-	-	-	-	2,545,000
Private placement - Tranche 2	7(b),7(c)	7,270,000	735,756	718,244	-	-	-	-	1,454,000
Shares issued for finder's fee	7(b),7(c)	158,100	16,000	15,620	-	-	-	-	31,620
Private placement - issue costs	7(b)	-	(33,233)	(32,440)	-	-	-	-	(65,672)
Net loss for the period (restated)	2(b)	-	-	-	-	-	(1,599)	(4,724,996)	(4,726,595)
Foreign currency translation		-	-	-	-	33,631	5,444	-	39,075
Balance, June 30, 2018		**100,175,306**	**$ 117,291,708**	**$ 1,960,356**	**$ 13,584,334**	**$ 8,070,080**	**$ (290,121)**	**$ (130,731,095)**	**$ 9,885,262**
Share-based payments	7(d)	-	-	-	(31,711)	-	-	-	(31,711)
Net loss for the period		-	-	-	-	-	(11,579)	1,287,422	1,275,843
Foreign currency translation related to discontinued operations		-	-	-	-	(7,945,220)	-	-	(7,945,220)
Foreign currency translation related to continuing operations		-	-	-	-	15,106	(6,080)	-	9,026
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		-	-	-	2,945	-	-	-	2,945
Net loss for the period		-	-	-	-	-	(2,490)	(2,478,509)	(2,480,999)
Foreign currency translation		-	-	-	-	82,078	174	-	82,252
Balance, June 30, 2019		**100,175,306**	**$ 117,291,708**	**$ 1,960,356**	**$ 13,555,568**	**$ 222,044**	**$ (310,096)**	**$ (131,922,182)**	**$ 797,398**

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

Unaudited condensed consolidated interim statements of cash flows
(Expressed in Canadian dollars)

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018 (restated-Note2(b))	Nine months ended June 30, 2019	Nine months ended June 30, 2018 (restated-Note2(b))
Operating activities					
Loss before income taxes		**$ (677,160)**	$ (1,322,274)	**$ (2,480,999)**	$ (4,726,595)
Adjustments to net loss for non-cash items					
Depreciation		**153,196**	172,846	**457,281**	517,042
Share-based payments	7(d)	**-**	49,933	**2,945**	320,147
Interest expense (income)		**49**	(5,172)	**(1,829)**	(5,083)
Miscellaneous income		**-**	8,261	**-**	-
Loss from investment in joint venture		**-**	-	**397**	-
Foreign exchange (gain) loss		**36,241**	38,829	**65,172**	(35,545)
Net changes in non-cash working capital items	10	**388,986**	(703,333)	**1,013,637**	90,749
		(98,688)	(1,760,910)	**(943,396)**	(3,839,285)
Adjustments to net loss for cash items					
Interest income received		**(49)**	1,289	**1,829**	1,946
Realized foreign exchange loss (gain)		**(247)**	(14,050)	**(2,536)**	30,164
		(98,984)	(1,773,671)	**(944,103)**	(3,807,175)
Investing activities:					
Expenditures on pilot plant	5, 11	**(973)**	-	**(29,460)**	(42,849)
Other equipment and vehicle additions	5	**-**	(16,036)	**-**	(25,653)
		(973)	(16,036)	**(29,460)**	(68,502)
Financing activities:					
Proceeds from exercise of stock options		**-**	-	**-**	62,083
Proceeds from private placement	7(b)	**-**	1,454,000	**-**	3,999,000
Share issue costs	7(b)(c)	**-**	(32,398)	**-**	(34,052)
Loan repayment		**-**	(10,005)	**-**	(1,664,963)
		-	1,411,597	**-**	2,362,068
Foreign exchange effect on cash and cash equivalents		**1,131**	28,317	**(7,479)**	(30,572)
Net increase (decrease) in cash and cash equivalents		**(98,826)**	(349,793)	**(981,042)**	(1,544,181)
Cash and cash equivalents, beginning of the period		**327,787**	3,028,573	**1,210,003**	4,222,961
Cash and cash equivalents, end of the period		**$ 228,961**	$ 2,678,780	**$ 228,961**	$ 2,678,780

See the accompanying notes to the unaudited condensed consolidated interim 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 Company is in the business of recovering zinc, lead and other metal by-products from primary and secondary waste materials. The Company has a pilot metal recovery plant in Macedonia which is currently focusing on developing a hydrometallurgical process to efficiently produce zinc and other metals from feed waste material on an economically viable scale. The Company was previously engaged in activities related to its oil and gas properties located primarily in Papua New Guinea and continues to hold certain exploration licences in Papua New Guinea.

The address of Esrey's registered office is Suite 1010, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. Basis of presentation and going concern

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Standards Committee. They have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2018.

The significant accounting policies applied in these financial statements are based on IFRS and outstanding policies as of August 29, 2019, the date the Board of Directors approved the financial statements.

(b) Comparative figures

Certain of the comparative figures for the three and nine months ended June 30, 2018 have been restated to conform to the current period's presentation. At September 30, 2018, the Company determined that the majority of expenditures that was incurred at its pilot plant in Macedonia during the year ended September 30, 2018 should have been expensed as project development costs or property investigation costs rather than capitalized as pilot plant assets as previously reported in the Company's financial statements for the interim periods ended December 31, 2017, March 31, 2018 and June 30, 2018. As a result, the comparative figures for the three and nine months ended June 30, 2018 were restated to reflect this change.

(c) Basis of measurement

These unaudited condensed consolidated interim 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 of the Company's audited consolidated financial statements for the year ending September 30, 2018.

2. Basis of presentation and going concern (continued)

(d) 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 June 30, 2019. In the short-term, the Company will require funding to eliminate this working capital deficit. The Company has not been able to raise financing in the first half of 2019 as it was the subject of cease trade orders due to having not completed the audit and filing of its consolidated financial statements and MD&A for the year ended September 30, 2018, and consequently the filing of its consolidated financial statements and MD&A for the three months ended December 31, 2018 and for the six months ended March 31, 2019. The outstanding financial disclosures were filed on June 3, 2019 and the cease trade orders were revoked on June 11, 2019. 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.

In the longer-term, the Company will require funding to advance its zinc project. During the year ended September 30, 2018 and during the nine months ended June 30, 2019, the Company made modifications to its pilot metal recovery plant and focused the activities of the pilot plant in Macedonia to develop a hydrometallurgical process to efficiently produce zinc and other by-products from zinc-containing feed material including EAFD by generating engineering data required for the Company to complete the design of a full-scale commercial plant. As at June 30, 2019 and as of August 29, 2019, no feed stock has been secured primarily because the Company has not yet finalized the process design required to receive operating permits for a commercial plant or a facility to store and commercially process the EAFD. The Company will apply for site, operational and environmental permits as soon as it completes the plant design and selects and secures a suitable plant location. Applications for operating permits will require a feasibility study that addresses amongst other issues, the potential environmental impact of the commercial operation.

An independent third-party engineering study required for the Company’s economic evaluation of a full-scale plant is being finalized and the Company will publish the results of the study as soon as it is completed.

The Company intends to fund future construction and operations of a commercial zinc plant by way of equity and project debt financing, which could include commercial lines of credit, joint venture partnering, and off-take arrangements with international metal traders.

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 develop its zinc operations, achieve commercial production, and produce zinc and other metals economically. Even if adequate funds are available, there is no guarantee that the Company will achieve commercial production to generate future cash flows. The Company presently does not have sufficient funds to fully develop its zinc operations, achieve commercial production, and produce zinc and other metals economically. As a result, material uncertainties exist that may cast significant doubt with respect to the Company’s ability to continue as a going concern.

2. Basis of presentation and going concern (continued)

(d) Going concern (continued)

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 unaudited condensed consolidated interim 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. Significant accounting policies

The preparation of these unaudited condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements for the year ended September 30, 2018, amended, where applicable, by the adoption of the new amended accounting standards outlined below. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2018.

(a) 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 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 is the first step in the process to replace IAS39, Financial Instruments: Recognition 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.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(b) Future accounting pronouncements

The Company has not applied the following new and revised IFRSs that have been issued but are not yet adopted effective for the nine months ended June 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 financial statements.

4. 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	
			June 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 EERLHoldings (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.

(Expressed in Canadian dollars)

4. Subsidiaries and joint ventures (continued)

(b) Joint venture

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held on	
			June 30, 2019	September 30, 2018
EERL Holdings (BVI) Ltd. ("EERL Holdings") (Note 4(c))	Holding Company	BVI	**50%**	50%

(c) EERL Holdings (BVI) Ltd.

As at June 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. As at June 30, 2019, the investment in EERL Holdings is $114,157 (September 30, 2018 – $114,553).

(d) Included in accounts receivable as at June 30, 2019 is $111,640 (September 30, 2018 - $98,350) in value-added tax receivable from the government of Macedonia and a US$100,000 (June 30, 2019 - $130,870; September 30, 2018 - $129,450) receivable from EERL Holdings to Telemu which is non-interest bearing and has no fixed date of repayment.

Included in accounts payable and accrued liabilities as at June 30, 2019 is US$135,500 and September 30, 2018 is US$126,000 (June 30, 2019 - $177,329; September 30, 2018 - $163,107) payable to EERL Holdings. The amount is non-interest bearing and has no fixed date of repayment.

(Expressed in Canadian dollars)

5. 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	29,809	136	29,945
Balance, June 30, 2019	**$ 3,108,124**	**$ 12,575**	**$ 3,120,699**
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	455,365	1,916	457,281
Foreign exchange movement	197	(28)	169
Balance, June 30, 2019	**$ 1,151,843**	**$ 1,888**	**$ 1,153,731**
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 June 30, 2019	**$ 1,956,281**	**$ 10,687**	**$ 1,966,968**

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 11 – 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) Note 16). The total cost of $3,310,084 (including capitalized stock-based payments of $190,084) was recorded as pilot metal recovery plant on the Company’s statements of financial position as at September 30, 2017.

6. Loan payable

As at June 30, 2019, the Company's subsidiary, Telemu, has a loan payable due to EERL Holdings of $231,048 (September 30, 2018 - $227,677). The loan is denominated in US dollars (June 30, 2019 and September 30, 2018 – US$176,400), is non-interest bearing and has no fixed date of repayment.

7. 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.

(Expressed in Canadian dollars)

7. Share capital (continued)

(c) Share purchase warrants

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

	June 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 7(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.

The fair value of the warrants issued is estimated at the time of the issue using the Black-Scholes 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.

(Expressed in Canadian dollars)

7. Share capital (continued)

(d) Share options

The changes in share options during the nine months ended June 30, 2019 and the year ended September 30, 2018 were as follows:

	June 30, 2019		September 30, 2018	
	Number of Options	**Average Exercise Price**	Number of Options	Average Exercise Price
Balance, beginning of the period	5,043,500	$0.12	7,099,500	$0.11
Granted	-	-	640,000	$0.16
Exercised	-	-	(496,666)	$0.13
Forfeited	(1,025,000)	$0.13	(2,199,334)	$0.12
Expired	(639,500)	$0.12	-	-
Balance, end of the period	**3,379,000**	**$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.

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 three months ended December 31, 2018, 1,025,000 stock options were forfeited at an exercise price of $0.125. During the three months ended March 31, 2019, 639,500 stock options with at an exercise price of $0.12 expired unexercised.

(Expressed in Canadian dollars)

7. Share capital (continued)

(d) Share options (continued)

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

Options outstanding	Options exercisable	Exercise Price	Expiry Date
1,507,000	1,507,000	$0.095	April 2, 2020
1,232,000	1,232,000	$0.125	August 9, 2022
590,000	590,000	$0.15	October 5, 2022
50,000	50,000	$0.24	March 1, 2023
3,379,000	**3,379,000**		

The weighted average exercise price of options exercisable at June 30, 2019 is $0.12 per share (September 30, 2018 - $0.12 per share). The weighted average remaining life of exercisable options is 2.07 years (September 30, 2018 – 2.66 years).

(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 June 30, 2019 and August 29, 2019, no SARs have been granted by the Company.

(Expressed in Canadian dollars)

8. 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 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 loss		(2,490)
Foreign exchange translation		174
Balance, June 30, 2019	**$**	**(310,096)**

9. Loss per share

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:

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	**2019**	2018
Weighted average number of ordinary shares	**100,175,306**	100,920,248	**100,175,306**	88,363,732
Effect of dilutive securities:				
Stock options	**-**	-	**-**	-
Diluted weighted average number of ordinary shares	**100,175,306**	100,920,248	**100,175,306**	88,363,732
Net loss attributable to equity shareholders	**(646,852)**	(1,321,167)	**$ (2,478,509)**	$ (4,724,996)
Loss per share - basic and diluted	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.05)

As at June 30, 2019, the Company had 23,532,100 (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.

(Expressed in Canadian dollars)

10. 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:

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	**2019**	2018
Amounts receivable	**$ 15,575**	$ (15,572)	**$ 487**	$ (28,004)
Prepaid expenses and deposits	**6,377**	-	**62,672**	8,156
Accounts payable and accrued liabilities	**367,034**	(687,761)	**950,478**	110,597
Net changes in non-cash working capital items	**$ 388,986**	$ (703,333)	**$ 1,013,637**	$ 90,749

(b) At June 30, 2019, the Company had cash of $228,961 (September 30, 2018 – $612,003) and cash equivalents of $nil (September 30, 2018 – $598,000).

(c) Other non-cash transactions that occurred during the three and nine months ended June 30, 2019 and 2018 are disclosed in Note 7.

11. 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 4 and 6. Details of the transactions between the Company and other related parties are disclosed below.

(a) Transactions

During the three and nine months ended June 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	Management, general and administrative, and travel and business development	CEO
TRG Resources Ltd.	Management	Former CEO
Jazz Financial Ltd.	Management	CFO
Pangea Management Corp.	Consulting	Family member of CEO
Sterling West Management Ltd.	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

(Expressed in Canadian dollars)

11. Related party transactions (continued)

(a) Transactions (continued)

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.

		Three months ended June 30,		Nine months ended June 30,	
	Note	**2019**	2018	**2019**	2018
Management fees	(ii)	**$ 173,406**	$ 172,347	**520,118**	465,914
General and administrative expenses	(ii)	**58,150**	45,451	**125,849**	123,172
Travel and business development		**-**	43,953	**-**	82,611
Consulting fees		**-**	6,000	**12,000**	18,000
Project development costs (Note 5)	(i)	**-**	369,896	**-**	1,782,026

(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 nine months ended June 30, 2018, the total fees pursuant to the PRG Services Contract amounted to US$1,364,141 ($1,739,516). In addition, the Company paid PRG $42,510 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.

(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 West Management Ltd. ("Sterling") and, through Sterling, share office space, furnishings, equipment and communications facilities (on a cost recovery basis) and the employment of various administrative, office and management personnel in Vancouver, British Columbia, 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 nine months ended June 30, 2019, the Company's share of management and overhead costs was $227,127 (nine months ended June 30, 2018 - $219,121 and year ended September 30, 2018 – $288,280).

As at June 30, 2019, the amount owing to Sterling was $166,137 (September 30, 2018 – $30,100). As at June 30, 2019, the Company also has a $57,000 deposit with Sterling (September 30, 2018 – $57,000) which is included in prepaid expenses and deposits.

Effective October 1, 2018, the Company entered into a five-year lease commitment for its head office premises in Vancouver, British Columbia, Canada. As Sterling and the Other Companies share the premises with the Company, it is anticipated that a portion of the cost of the lease will be allocated to Sterling and the Other Companies as long as they continue to share the premises.

(Expressed in Canadian dollars)

11. Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of directors and other key members of management personnel during the three and nine months ended June 30, 2019 and 2018 were as follows:

		Three months ended June 30,		Nine months ended June 30,	
	Note	**2019**	2018	**2019**	2018
Remuneration	(i)	**$ 140,434**	$ 135,712	**418,840**	$ 555,246
Directors' fees		**4,000**	4,000	**12,000**	14,811
Share-based payments	(ii)	**-**	28,320	**1,100**	184,564
		$ 144,434	$ 168,032	**$ 431,940**	$ 754,621

(i) Remuneration includes management fees disclosed in Note 11(a) which also includes termination fees aggregating $150,786 (US$120,000) paid to two former officers of the Company.

(ii) Share-based payments are the fair value of options granted to key management personnel.

Except as disclosed under Note 11(b)(i) above, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the nine months ended June 30, 2019 and 2018. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at June 30, 2019 included directors' fees of $8,000 and $418,840 of remuneration to other key management personnel (September 30, 2018 - $Nil).

12. Segmented information

Geographic Information

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

June 30, 2019

	Papua New Guinea	**Macedonia**	**Canada**	**Total**
Cash and cash equivalents	$ 208,614	$ 1,048	$ 19,299	**$ 228,961**
Other current assets	13,505	157,197	189,478	**360,180**
Property, plant and equipment	-	1,966,968	-	**1,966,968**
Long-term deposit	-	-	25,973	**25,973**
Investment in joint venture	-	-	114,157	**114,157**
	$ 222,119	**$ 2,125,213**	**$ 348,907**	**$ 2,696,239**

(Expressed in Canadian dollars)

12. Segmented information (continued)

Geographic Information (continued)

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 three and nine months ended June 30, 2019 and 2018 are as follows:

Nine months ended June 30, 2019	**Papua New Guinea**	**United States**	**Macedonia**	**Barbados**	**Canada**	**Total**
Net income (loss)	**$ (116)**	**$ 7,934**	**$ (1,108,716)**	**$ (417,038)**	**$ (963,063)**	**$ (2,480,999)**
Attributable to						
Non-controlling interest	$ (2,490)	$ -	$ -	$ -	$ -	$ (2,490)
Equity shareholders of the Company	2,374	7,934	(1,108,716)	(417,038)	(963,063)	(2,478,509)
	$ (116)	**$ 7,934**	**$ (1,108,716)**	**$ (417,038)**	**$ (963,063)**	**$ (2,480,999)**

Three months ended June 30 , 2019	**Papua New Guinea**	**United States**	**Macedonia**	**Barbados**	**Canada**	**Total**
Net income (loss)	**$ (3,082)**	**$ (3,503)**	**$ (139,719)**	**$ (88,741)**	**$ (442,115)**	**$ (677,160)**
Attributable to						
Non-controlling interest	$ (2,269)	$ -	$ -	$ -	$ -	$ (2,269)
Equity shareholders of the Company	(813)	(3,503)	(139,719)	(88,741)	(442,115)	(674,891)
	$ (3,082)	**$ (3,503)**	**$ (139,719)**	**$ (88,741)**	**$ (442,115)**	**$ (677,160)**

(Expressed in Canadian dollars)

12. Segmented information (continued)

Geographic Information (continued)

Nine months ended June 30, 2018	Papua New Guinea	United States	Macedonia	Barbados	Canada	Total
Net income (loss)	$ (31,018)	$ 16,727	$ (1,460,806)	$ (2,120,262)	$ (1,131,236)	$ (4,726,595)
Attributable to						
Non-controlling interest	$ (1,599)	$ -	$ -	$ -	$ -	$ (1,599)
Equity shareholders of the Company	(29,419)	16,727	(1,460,806)	(2,120,262)	(1,131,236)	(4,724,996)
	$ (31,018)	$ 16,727	$ (1,460,806)	$ (2,120,262)	$ (1,131,236)	$ (4,726,595)

Three months ended June 30, 2018	Papua New Guinea	United States	Macedonia	Barbados	Canada	Total
Net income (loss)	$ (125,254)	$ 9,465	$ (597,627)	$ (385,597)	$ (223,261)	$ (1,322,274)
Attributable to						
Non-controlling interest	$ (1,107)	$ -	$ -	$ -	$ -	$ (1,107)
Equity shareholders of the Company	(124,147)	9,465	(597,627)	(385,597)	(223,261)	(1,321,167)
	$ (125,254)	$ 9,465	$ (597,627)	$ (385,597)	$ (223,261)	$ (1,322,274)

13. 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.

14. 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 accrued liabilities on the statement 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.

(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 4(d)), 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.

(Expressed in Canadian dollars)

14. Financial instruments (continued)

(b) Financial risk management (continued)

(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(d)).

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 June 30, 2019 and September 30, 2018.

June 30, 2019

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	**$ 1,667,793**	**$ -**	**$ 1,667,793**
Loan payable (Note 6)	**231,048**	**-**	**231,048**
Lease commitments (Notes 11 and 15)	**134,305**	**512,877**	**647,182**
Total	**$ 2,033,146**	**$ 512,877**	**$ 2,546,023**

September 30, 2018

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	$ 717,312	$ -	$ 717,312
Loan payable (Note 6)	$ 227,677		227,677
Lease commitments (Notes 11 and 15)	123,583	609,028	732,611
Total	$ 1,068,572	$ 609,028	$ 1,677,600

(Expressed in Canadian dollars)

14. 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.

15. Commitments

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 (Note 11(a)(ii)):

Year ending September 30,	$	
2019	**123,583**	of which $85,429 has been paid as at June 30, 2019.
2020	**129,726**	
2021	**156,906**	
2022	**161,198**	
2023	**161,198**	
	732,611	

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 June 30, 2019.

The Company also has a sublease agreement for its pilot plant premises with PRG. The sublease agreement is effective until June 30, 2020, but can be terminated by either the Company or PRG with 30 days' written notice. The monthly amount under the sublease agreement is 2,221 euros ($3,748) and has not been included in the table above because of the month-to-month nature of the expense and commitment.

16. 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.

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.

Despite the Company's payment in full to PRG under the verbal agreement (Note 5), 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 5) (the "Agreements"). The Company has been working to finalize these Agreements with PRG. These Agreements would also formalize the previous verbal agreement with PRG (Note 5) 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).

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) and that it retains title to all subsequent work performed by PRG to construct the pilot metal recovery plant for the Company in 2017. As a result of preparing the Agreements, the Company identified that it is more likely than not that it owes value-added taxes payable of approximately $45,000 on this transaction with PRG, which the Company has recorded in accrued liabilities as at September 30, 2018 and as at June 30, 2019. 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 June 30, 2019.

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.