REGAL RESOURCES INC.
RESPONSIBLE EXPLORATION & DEVELOPMENT

Consolidated Financial Statements

Years Ended July 31, 2019, 2018, 2017, 2016, and 2015
(Expressed in Canadian Dollars)

INDEX

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF REGAL RESOURCES INC.

Opinion
We have audited the consolidated financial statements of Regal Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019, 2018, 2017, 2016, and 2015, and the consolidated statements of net loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2019, 2018, 2017, 2016, and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $658,123 during the year ended July 31, 2019 and, as of that date, the Company had an accumulated deficit of $9,446,813 and a working capital deficit of $2,746,711. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 6, 2019

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Regal Resources Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at July 31,
(Expressed in Canadian Dollars)

	Note	2019 $	2018 $	2017 $	2016 $	2015 $
ASSETS	8					
Current						
Cash		-	17,396	78	2,117	998
Marketable securities	3, 5	-	674,640	-	-	-
Sales tax receivables		56,702	42,962	28,941	13,849	-
Loan receivable	6	180,511	170,511	160,511	150,511	140,511
Prepaid expenses		6,207	8,146	6,207	27,862	24,354
		243,420	913,655	195,737	194,339	165,863
Non-current						
Equipment	4	2,019	2,551	3,082	3,614	4,146
Mineral property interests	3	671,634	671,634	2,363,896	2,167,568	2,040,310
		673,653	674,185	2,366,978	2,171,182	2,044,456
		917,073	1,587,840	2,562,715	2,365,521	2,210,319
LIABILITIES						
Current						
Bank indebtedness		9,838	-	-	-	-
Trade and other payables	7	946,803	990,106	953,965	660,623	284,640
Due to related parties	11	55,949	36,581	13,005	2,605	2,605
Loans payable	9	1,077,541	1,076,088	1,074,880	370,833	-
Convertible debenture	8	900,000	900,000	900,000	900,000	886,977
		2,990,131	3,002,775	2,941,850	1,934,061	1,174,222
EQUITY						
Share capital	10	5,375,547	5,375,547	5,375,547	5,375,547	5,375,547
Reserves		1,998,208	1,998,208	1,998,208	1,998,208	1,979,284
Deficit		(9,446,813)	(8,788,690)	(7,752,890)	(6,942,295)	(6,318,734)
		(2,073,058)	(1,414,935)	(379,135)	431,460	1,036,097
		917,073	1,587,840	2,562,715	2,365,521	2,210,319

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Greg Thomas", Director *"Tony Louie"*, Director

– See Accompanying Notes –

Regal Resources Inc.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
Years Ended July 31,
(Expressed in Canadian Dollars)

	Note	2019 $	2018 $	2017 $	2016 $	2015 $
Expenses						
Depreciation	4	532	531	532	532	531
Finance costs	8, 9	269,363	352,807	326,881	134,286	161,257
Foreign exchange (gain) loss		7,632	6,619	(6,179)	(473)	10,944
Interest income	6	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Investor relations		47,020	94,920	72,895	79,778	92,878
Management fees	11	100,490	430,000	360,000	360,000	260,000
Office and miscellaneous		2,403	12,601	21,579	2,622	73,613
Professional fees		63,032	38,936	40,042	14,586	73,716
Regulatory fees		2,493	3,181	1,802	10,013	29,027
Rent	11	-	1,928	1,608	13,293	29,002
Share-based payments		-	-	-	18,924	40,134
Travel and entertainment		1,104	8,596	1,435	-	9,361
		(484,069)	(940,119)	(810,595)	(623,561)	(770,463)
Loss on sale of marketable securities	5	(174,054)	(45,651)	-	-	-
Loss on revaluation of marketable securities	5	-	(50,030)	-	-	-
Write-off on sales tax receivable		-	-	-	-	(43,252)
Net loss and comprehensive loss for year		(658,123)	(1,035,800)	(810,595)	(623,561)	(813,715)
Basic and diluted loss per share		(0.01)	(0.02)	(0.02)	(0.01)	(0.02)
Weighted average number of common shares outstanding		48,521,958	48,521,958	48,521,958	48,521,958	40,811,274

- See Accompanying Notes -

Regal Resources Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Share Subscriptions Received $	Reserves $	Deficit $	Total Equity $
Balance at July 31, 2014	**37,313,138**	**4,293,443**	**66,704**	**1,939,150**	**(5,505,019)**	**794,278**
Share issuance for private placement, net of cost	11,208,820	1,082,104	-	-	-	1,082,104
Share subscriptions received	-	-	(66,704)	-	-	(66,704)
Share-based payments	-	-	-	40,134	-	40,134
Net loss	-	-	-	-	(813,715)	(813,715)
Balance at July 31, 2015	**48,521,958**	**5,375,547**	**-**	**1,979,284**	**(6,318,734)**	**1,036,097**
Share-based payments	-	-	-	18,924	-	18,924
Net loss	-	-	-	-	(623,561)	(623,561)
Balance at July 31, 2016	**48,521,958**	**5,375,547**	**-**	**1,998,208**	**(6,942,295)**	**431,460**
Net loss	-	-	-	-	(810,595)	(810,595)
Balance at July 31, 2017	**48,521,958**	**5,375,547**	**-**	**1,998,208**	**(7,752,890)**	**(379,135)**
Net loss	-	-	-	-	(1,035,800)	(1,035,800)
Balance at July 31, 2018	**48,521,958**	**5,375,547**	**-**	**1,998,208**	**(8,788,690)**	**(1,414,935)**
Net loss	-	-	-	-	(658,123)	(658,123)
Balance at July 31, 2019	**48,521,958**	**5,375,547**	**-**	**1,998,208**	**(9,446,813)**	**(2,073,058)**

- See Accompanying Notes -

Regal Resources Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended July 31,
(Expressed in Canadian Dollars)

	2019 $	2018 $	2017 $	2016 $	2015 $
OPERATING ACTIVITIES:					
Net loss for the year	(658,123)	(1,035,800)	(810,595)	(623,561)	(813,715)
Items not involving cash:					
Depreciation	532	531	532	532	531
Loss (gain) on revaluation of marketable securities	-	50,030	-	-	-
Loss on sale of marketable securities	174,054	45,651			
Foreign exchange on loan payable	(2,220)	3,204	(1,953)	-	-
Share-based payments	-	-	-	18,924	40,134
Accretion of discounts on convertible debentures	-	-	-	13,023	53,249
Accrued interest income	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Accrued interest expense	269,363	252,807	230,964	98,430	43,549
Write-off of sales tax receivable	-	-	-	-	43,252
Changes in non-cash working capital:					
Receivables	(13,740)	(14,021)	(15,092)	(13,849)	(20,629)
Prepaid expenses	1,939	(1,939)	21,655	(3,508)	(23,172)
Accounts payable and accrued liabilities	(308,993)	(218,662)	62,378	277,553	(79,260)
Due to related parties	19,368	23,576	10,400	-	2,505
Net cash used in operating activities	(527,820)	(904,623)	(511,711)	(242,456)	(763,556)
INVESTING ACTIVITIES:					
Expenditures on mineral property interests	-	(32,738)	(196,328)	(127,258)	(276,581)
Refund of reclamation bond	-	-	-	-	21,918
Proceeds from mineral property interest option	-	750,000	-	-	-
Proceeds from sale of marketable securities	500,586	204,679	-	-	-
Net cash provided by (used in) investing activities	500,586	921,941	(196,328)	(127,258)	(254,663)
FINANCING ACTIVITIES:					
Shares issued for cash, net of cost	-	-	-	-	1,015,400
Proceeds from loan payable	-	-	756,000	370,833	-
Repayment of loan	-	-	(50,000)	-	-
Net cash provided by financing activities	-	-	706,000	370,833	1,015,400
Increase (decrease) in cash	(27,234)	17,318	(2,039)	1,119	(2,819)
Cash at beginning of year	17,396	78	2,117	998	3,817
Cash (bank indebtedness) at end of year	(9,838)	17,396	78	2,117	998
Supplemental cash flow information:					
Interest paid (note 8)	20,000	20,000	51,750	60,000	154,500
Shares received for property option	-	975,000	-	-	-

- See Accompanying Notes –

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Regal Resources Inc. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on January 24, 2006 and maintains its head office and registered office at 203 – 2780 Granville Street, Vancouver, British Columbia, Canada, V6H 3J3. The Company is engaged in the acquisition, exploration and development of its mineral properties, located in Arizona, USA. The Company was delisted from the Canadian Securities Exchange on April 25, 2016 and has not been relisted.

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and establish future profitable operations or realize proceeds from their sale.

The following table is the reported net loss for each fiscal year, and accumulated deficit and working capital at the end of each year.

	2019 $	2018 $	2017 $	2016 $	2015 $
Net Loss	(658,123)	(1,035,800)	(810,595)	(623,561)	(813,715)
Deficit	(9,446,813)	(8,788,690)	(7,752,890)	(6,942,295)	(6,318,734)
Working capital deficit	(2,746,711)	(2,089,120)	(2,746,113)	(1,739,722)	(1,008,359)
Cash (bank indebtedness)	(9,838)	17,396	78	2,117	998

The Company has sustained losses from operations and has an ongoing requirement for capital investment for its mineral property interests; these conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent primarily upon its ability to obtain necessary financing from the issuance of shares, borrowing or from other sources. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements for the years ended July 31, 2019, 2018, 2017, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued the International Accounting Standards Board.

Effective August 1, 2017, the Company early adopted IFRS 9 Financial Instruments. IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provision of the standard.

Approval of consolidated financial statements

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on November 6, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Regal Resources USA, Inc and Arizona Standard LLC. All significant intercompany balances and transactions were eliminated upon consolidation.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported expenses during the fiscal year. Actual outcomes could differ from these estimates.

Critical accounting estimate

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, related to, but not limited to, the following:

(a) Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debenture. The determination of the market interest rate is subjective and could materially affect the fair value estimate.

Critical accounting judgments

Significant judgments made by management in the application of IFRS during the preparation of the consolidated financial statements and estimates with a risk of material adjustment are as follows:

(a) Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management’s strategic planning. Should those judgements prove to be inaccurate, management’s continued use of the going concern assumptions may be inappropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgments (continued)

Critical accounting judgments (continued)

(b) Impairment assessment

At each financial position reporting date, the carrying amounts of the Company's long term assets are reviewed to determine whether there is any indication that those assets are impaired If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(c) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(d) Recoverability of loan receivable

The recoverable amount of the loan receivable is determined through the credit evaluations of the borrower and the history of non-payment. The Company assesses the provision for potential write-offs of loan receivable and the recoverable amount is estimated in order to determine the extent of the write-off, if any.

While management believes these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive loss and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis.

Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the date of the consolidated statement of financial position;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding depreciation, which is translated at the same rate as the related asset), at the rates of exchange at the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is carried at cost, less accumulated depreciation and impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30% for equipment.

Mineral property interests

The Company defers all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Impairment of mineral property interests

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for mineral property interests is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value of money and the risks specific to the asset.

The Company has determined that no impairment of mineral property interests is applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of estimated costs is capitalized by increasing the carrying amount of related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The Company has determined that no rehabilitation provision is applicable.

Valuation of equity units issued in private placements

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated using the residual method by first allocating the value to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

Share-based payments

The Company accounts for share-based payments using a fair value-based method with respect to all share-based payments measured and recognized, to directors, employees and non-employees.

For directors and employees, the fair value of the options is measured at grant date using the Black-Scholes option pricing model. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to reserves. For directors and employees, the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

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

Finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous periods.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets

Loss per share

Basic income (loss) per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is computed using the treasury stock method, under which the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised.

Financial instruments

Adoption of new accounting standards

Effective August 1, 2017, the Company early adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business model under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification of financial liabilities.

As a result of the early adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	August 1, 2017	
	IAS 39	IFRS 9
Financial Asset		
Cash	Fair value through profit and	FVTPL
Marketable securities	FVTPL	FVTPL
Loan receivable	Amortized cost	Amortized cost
Financial Liabilities		
Trade and other payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Convertible debenture	Amortized cost	Amortized cost

As at July 31, 2017, the Company does not have a loss allowance under IAS 39. As such, with the adoption of IFRS 9, the expected credit loss allowance at August 1, 2017 is $nil.

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition, except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

De-recognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

3. MINERAL PROPERTY INTERESTS

Patagonia Property, Santa Cruz County, Arizona

The Company entered into an option agreement with MinQuest Inc. ("MinQuest") (the "Agreement") dated January 11, 2010 to acquire certain mining claims known as the Patagonia Property, located in Santa Cruz County, Arizona. MinQuest Inc. is a private company in which a director owns 50%. On November 17, 2011, MinQuest signed an amendment to the option agreement with the Company on the Patagonia Property whereby the work commitment schedule is extended by approximately 18 months. On February 1, 2012, the Company entered into a definitive agreement (the "Purchase Agreement") with MinQuest to acquire all of the claims comprising the Patagonia (Sunnyside) project.

Under the terms of the Purchase Agreement, in consideration for the Patagonia Property, the Company will pay to MinQuest the sum of US$800,000, of which US$100,000 (paid) was forwarded as a non-refundable deposit within three business days of signing the Purchase Agreement, and US$400,000 (paid) as a non-refundable deposit within three business days of April 30, 2012 and the remaining US$300,000 (paid) shall be paid at the closing date on May 31, 2012 On April 30, 2012, MinQuest signed an amendment to the Purchase Agreement with the Company to extend the closing date to July 31, 2012.

In consideration for the extension of the closing date, the Company paid US$400,000 to be applied to the non-refundable deposit, issued 50,000 common shares of the Company and paid the remainder of US$300,000 by July 31, 2012.

The Purchase Agreement also provides that MinQuest retain a 1.5% royalty on the net smelter returns ("NSR") from the Property, which can be converted at MinQuest's election into common shares of the Company in certain circumstances Further, the Purchase Agreement provides that MinQuest will assign its rights and obligations under an agreement among MinQuest, Russell Corn and Brian Corn pertaining to certain claims (the "Corn Claims"), which form part of the Property MinQuest has also agreed to assist the Company in negotiating the purchase of the Corn Claims, for which the Company will be responsible for $100,000 of the purchase price If such purchase is successful within 90 days of the closing of the transactions contemplated by the Purchase Agreement, MinQuest shall also receive a 1.5% royalty on the NSR from the Corn Claims.

3. MINERAL PROPERTY INTERESTS (Continued)

Patagonia Property, Santa Cruz County, Arizona (continued)

The option payments assumed by the Company are as follows:
(i) US$10,000 on or before December 5, 2011 (paid);
(ii) US$20,000 on or before December 5, 2012 (paid);
(iii) US$30,000 on or before December 5, 2013 (paid)
(iv) US$40,000 on or before December 5, 2014; (paid)
(v) US$40,000 on or before December 5, 2015; (paid)
(vi) US$40,000 on or before December 5, 2016; and (paid)
(vii) US$200,000 on or before December 5, 2017. (paid by Barksdale Capital Corp.)

On August 10, 2017, the Company entered into an arm's length definitive agreement (the "Sunnyside Agreement") with Barksdale Capital Corp. ("Barksdale") to sell, by way of option (the "Option"), up to 67.5% of the Sunnyside Property located in Santa Cruz County, Arizona. Through a Limited Liability Company Operating Agreement ("LLC Agreement"), the Company and Barksdale incorporated Arizona Standard LLC ("Arizona LLC") whereby the Company will contribute the Sunnyside project to Arizona LLC and Barksdale will conduct exploration on the Sunnyside property. The Option is exercisable in two stages with Barksdale entitled to acquire an initial 51% interest in the Sunnyside Property upon making payments totaling $2,950,000 cash, and the issuance of 10,100,000 common shares to the Company, and cumulative expenditures of $6,000,000 on the property during the first two years of the Option (following receipt of all required governmental permits). Upon acquiring an initial 51% interest in the Sunnyside Property, Barksdale will be entitled to increase its interest to 67.5% upon payment of an additional $550,000 cash, the issuance of 4,900,000 common shares to the Company, and the expenditure of an additional $6,000,000 on the property within a further two-year period.

The Company received cash payment in the totaling amount of $750,000 during the year ended July 31, 2018 and received 1,250,000 common shares of Barksdale in April 2018 (Note 5). The 1,250,000 common shares of Barksdale had a fair value of $975,000 based on the market value of Barksdale shares on the date received.

In October 2017, pursuant to the Option agreement, Barksdale Capital Corp. holds 3,850,000 shares in escrow and will be cancelled and returned to treasury if Barksdale Capital Corp. determined not to proceed with the Option after completing its initial exploration of the Sunnyside Property. The shares held in escrow will be released to Regal once Barksdale has obtained all required government permits.

(Expressed in Canadian Dollars)

3. MINERAL PROPERTY INTERESTS (Continued)

From August 1, 2014 to July 31, 2019, the Company had the following exploration activity:

	Patagonia **$**
Balance, July 31, 2014	1,763,729
Acquisition costs	
Additions - cash payments	56,031
Exploration expenditures	
Geophysics	160,874
Claim fees	59,676
Total exploration expenditures	220,550
Balance, July 31, 2015	2,040,310
Acquisition costs	
Additions - cash payments	57,699
Exploration expenditures	
Claim fees	68,868
Field office	691
Total exploration expenditures	69,559
Balance, July 31, 2016	2,167,568
Acquisition costs	
Additions - cash payments	60,264
Exploration expenditures	
Geophysics	68,573
Claim fees	67,491
Total exploration expenditures	136,064
Balance, July 31, 2017	2,363,896
Option Proceeds	
Shares received	(975,000)
Cash received	(750,000)
Exploration expenditures	
Consulting, Geophysics	32,738
Balance, July 31, 2018 and 2019	671,634

3. MINERAL PROPERTY INTERESTS (Continued)

Realization of assets

The investment in and expenditures on mineral property interests comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Office equipment $
Cost	
Balance at July 31, 2014, 2015, 2016, 2017, 2018 and 2019	8,045
Accumulated Amortization	
Balance at July 31, 2014	3,368
Depreciation expense	531
Balance at July 31, 2015	3,899
Depreciation expense	532
Balance at July 31, 2016	4,431
Depreciation expense	532
Balance at July 31, 2017	4,963
Depreciation expense	531
Balance at July 31, 2018	5,494
Depreciation expense	532
Balance at July 31, 2019	6,026
Carrying Amounts	
July 31, 2015	4,146
July 31, 2016	3,614
July 31, 2017	3,082
July 31, 2018	2,551
July 31, 2019	2,019

5. MARKETABLE SECURITIES

Marketable securities consist of an investment of 1,250,000 common shares in Barksdale Capital Corp. received in April 2018, pursuant to the Option Agreement between Barksdale Capital Corp. and the Company per Note 3. The fair value of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

During the year ended July 31, 2018, the Company sold 318,000 shares for proceeds of $204,679 and recorded a realized loss on sale of marketable securities of $45,651. During the year ended July 31, 2018, the Company recorded a decrease in fair value of $50,030 as a loss in revaluation of marketable securities.

During the year ended July 31, 2019, the Company sold 932,000 shares for proceeds of $500,586 and recorded a realized loss of $174,054

(Expressed in Canadian Dollars)

6. LOAN RECEIVABLE

On July 12, 2011, the Company loaned $100,000 to the Company's CEO. The terms were for three and one-half months with simple interest of 10% per annum. The following table is a summary of the loan receivable:

Balance, July 31, 2014	$	130,511
Interest income		10,000
Balance, July 31, 2015	$	140,511
Interest income		10,000
Balance, July 31, 2016	$	150,511
Interest income		10,000
Balance, July 31, 2017	$	160,511
Interest income		10,000
Balance, July 31, 2018	$	170,511
Interest income		10,000
Balance, July 31, 2019	$	180,511

7. TRADE AND OTHER PAYABLES

Trade and other payables for the Company are comprised of the following:

	Note	2019 $	2018 $	2017 $	2016 $	2015 $
Trade payables		168,168	208,529	219,469	182,969	194,770
Related party	11	-	253,167	439,618	338,807	46,321
Interest payable	9	436,267	274,904	130,098	7,134	-
Interest payable related parties	11,8	325,845	237,845	149,845	91,845	43,549
Advance payable		16,523	15,661	14,935	39,868	-
Total		946,803	990,106	953,965	660,623	284,640

All trade and other payables for the Company are expected to be paid within the next 12 months.

On August 25, 2015, the Company received an advance from a third party in the amount of USD $50,000 There are no stated terms of repayment on this advance. The Company paid cash $25,000 in June 2016 and paid additional $25,000 in November 2016.

8. CONVERTIBLE DEBENTURE

On August 29, 2012, the Company borrowed $900,000 by issuing a convertible debenture to a relative of the CEO and director of the Company (the "Debenture"). The Debenture bears interest at 12% per annum, payable quarterly, for a term of three years, convertible in whole or in part by the holder into units of the Company at the conversion price of $0.10 per unit, each unit to be comprised of one common share of the Company and one non-transferable warrant exercisable for a period of two years from the date of conversion at an exercise price of $0.20 per share. The Debenture had a maturity date of August 29, 2015. As that date has passed, the loan is in default as at July 31, 2016, 2017, 2018, and 2019. The Company may pay the principal sum under the Debenture in whole or in part, together with all interest accrued and unpaid to the date of payment, at any time without notice, bonus or penalty. The Debenture was secured by a floating charge security interest in all of the Company's present and after acquired personal property, and a first fixed charge against the Company's mineral property interest. During the year ended July 31, 2018, the Company paid $100,000 to the Debenture holder to release the security of the Debenture against the mineral property interests which is recorded in finance costs. The Debenture is transferable and assignable by the lender. The Debenture holder may accelerate repayment of up to $150,000 on 30 days' notice.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE (Continued)

On initial recognition, the Company allocated the proceeds of the compound financial instruments between the liability component and the equity component using the residual value method. The liability component was measured at fair value. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows using a discount rate for a similar instrument with no conversion feature, which management has estimated to be 20%. The residual value was allocated to the equity component in reserves.

	Face Value	**Equity Portion**	**Liability Portion**
	$	**$**	**$**
Convertible debenture	900,000	139,859	760,141

The carrying value of the convertible debenture is as follows:

Balance, July 31, 2014	$	833,728
Accretion		53,249
Balance, July 31, 2015	$	886,977
Accretion		13,023
Balance, July 31, 2016, 2017, 2018 and 2019	$	900,000

The interest expense recorded in finance costs and interest payable included in trade and other payables during the year and as at each year-end is as follows:

Balance, July 31, 2014	$	90,049
Interest expense		108,000
Cash payments		(154,500)
Balance, July 31, 2015	$	43,549
Interest expense		108,296
Cash payments		(60,000)
Balance, July 31, 2016	$	91,845
Interest expense		108,000
Cash payments		(50,000)
Balance, July 31, 2017	$	149,845
Interest expense		108,000
Cash payments		(20,000)
Balance, July 31, 2018	$	237,845
Interest expense		108,000
Cash payments		(20,000)
Balance, July 31, 2019	$	325,845

(Expressed in Canadian Dollars)

9. LOANS PAYABLE

Loan payable consists of the following loans:

		2019 $	2018 $	2017 $	2016 $	2015 $
May and August 2016 Loan	(1)	1,000,000	1,000,000	1,000,000	320,833	-
August 2016 Loan	(2)	15,000	15,000	15,000	-	-
February 2017 Loan	(3)	35,000	35,000	35,000	-	-
May 2017 Loan	(4)	27,541	26,088	24,880	-	-
July 2016 Loan	(5)	-	-	-	50,000	-
Total		1,077,541	1,076,088	1,074,880	370,833	-

Interest and financing costs recorded in each year is as follows:

		2019 $	2018 $	2017 $	2016 $	2015 $
May and August 2016 Loan	(1)	150,956	134,783	209,873	12,967	-
August 2016 Loan	(2)	2,235	1,996	1,677	-	-
February 2017 Loan	(3)	4,200	4,200	1,968	-	-
May 2017 Loan	(4)	3,972	3,828	3,613	-	-
July 2016 Loan	(5)	-	-	1,750	-	-
Total		161,363	144,807	217,131	12,967	-

(1) May and August 2016 Loan

On May 30, 2016 and August 29, 2016, the Company entered into unsecured loans with a third party in the amount of $350,000 and $650,000, respectively. The loans bear interest at 12% per annum and compound annually on the basis of a 365-day calendar year, was due for repayment in 12 months and 6 months, respectively. Currently, the loan is in default and the Company did not make any cash payments for interest and principal.

During the year ended July 31, 2016, the Company paid finders fees of $35,000 related to the May 30, 2016 loan. This financing fee was recorded against the loan and amortized over the life of the loan, resulting in a financing fee expense of $5,833 in the year ended July 31, 2016. During the year ended July 31, 2017, the Company paid additional finders fees of $65,000 related to the August 29, 2016 loan. This financing fee was recorded against the loan and amortized over the life of the loan, resulting in a financing fee expense of $65,000.

The interest expense in each fiscal year are as follows:

	2019	2018	2017	2016	2015
Interest expense ($)	150,956	134,783	115,706	7,134	-
Financing fees ($)	-	-	94,167	5,833	-
Total Financing costs ($)	150,956	134,783	209,873	12,967	-

Interest payable included in trade and other payables and the principal outstanding as at each year-end are as follows:

	2019	2018	2017	2016	2015
Interest payable ($)	408,579	257,623	122,840	7,134	-
Loan payable ($)	1,000,000	1,000,000	1,000,000	320,833	-

(Expressed in Canadian Dollars)

9. LOANS PAYABLE (Continued)

(2) August 2016 Loan

On August 25, 2016, the Company entered into an unsecured loan with a third party in the amount of $15,000 The loan bore interest at 12% per annum and compound annually on the basis of a 365-day calendar year, was due for repayment in 12 months. Currently, the loan is in default and the Company did not make any cash payment to interest and principal.

The interest expense in each fiscal year are as follows:

	For the Year Ended July 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Interest expense ($)	2,235	1,996	1,677	-	-

Interest payable included in trade and other payables and the principal outstanding as at each year-end are as follows:

	As at July 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Interest payable ($)	5,908	3,673	1,677	-	-
Loan payable ($)	15,000	15,000	15,000	-	-

(3) February 2017 Loan

On February 8, 2017, the Company entered into an unsecured loan with a third party in the amount of $35,000 The loan bore interest at 12% per annum and compound annually on the basis of a 365-day calendar year, was due for repayment in 12 months. Currently, the loan is in default and the Company did make any cash payment to interest and principal.

The interest expense in each fiscal year as below:

	As at July 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Interest expense ($)	4,200	4,200	1,968	-	-

Interest payable included in trade and other payables and the principal outstanding as at each year-end are as follows:

	As at July 31,				
	2019	**2018**	**2017**	**2016**	**2015**
Interest payable ($)	10,368	6,168	1,968	-	-
Loan payable ($)	35,000	35,000	35,000	-	-

(Expressed in Canadian Dollars)

9. LOANS PAYABLE (continued)

(4) May 2017 Loan

On May 1, 2017, the Company entered into an unsecured loan with a third party in the amount of USD $20,000 The loan bore interest at 15% per annum, was due for repayment in 6 months, and the company will issue $2,000 US worth of stock at $0.10 per share. The loan is in default and the Company did make any cash payment to interest and principal and the bonus shares are not issued yet.

The interest expense in each fiscal year as below:

			As at July 31,		
	2019	**2018**	**2017**	**2016**	**2015**
Interest expense ($)	3,972	3,828	3,613	-	-

Interest payable included in trade and other payables and the principal outstanding as at each year-end are as follows:

			As at July 31,		
	2019	**2018**	**2017**	**2016**	**2015**
Interest payable ($)	11,412	7,440	3,613	-	-
Loan payable ($)	27,541	26,088	24,880	-	-

(5) July 2016 Advance

On July 10, 2016, the Company received an advance with a third party in the amount of $50,000 There is no term on the advance. The Company repaid $50,000 in October 2016. During the year ended July 31, 2017, the Company paid $1,750 in interest for this advance

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued

During the fiscal year ended July 31, 2019, 2018, 2017 and 2016:

No shares were issued

During the fiscal year ended July 31, 2015:

(a) In October 2014, the Company closed a non-brokered private placement of 6,118,932 units at $0.09 per unit for gross proceeds of $550,704. Of these proceeds, $66,704 had been received during the year ended July 31, 2014. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 for two years. The Company used the residual method to value the units, which resulted in $550,704 allocated to share capital and $nil allocated to warrants. Legal services of $8,600 was recorded as share issuance costs; the Company issued 393,222 units as commission services to the finder. Each finder's unit is comprised of one common share and one share purchase warrants that entitles the holder to purchase an additional common share at a price of $0.10 for two years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(b) In January 2015, the Company closed the non-brokered private placement of 4,500,000 units at $0.12 per unit for gross proceeds of $540,000. Each unit consists of one common share and one half and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 for a period of one year. The Company used the residual method to value the units, which resulted in $540,000 allocated to share capital and $nil allocated to warrants. The Company issued 196,666 units as commission services to finders. Each finder's unit is comprised of one common share and one-half share purchase warrants that entitles the holder to purchase an additional common share at a price of $0.18 for one year.

Stock options

On April 9, 2013, the Company adopted a new stock option incentive plan that reserves for issuance a maximum of 6,972,627 common shares in the capital of the Company (which is 20% of the Company's currently issued and outstanding common shares) on exercise of incentive stock options granted to persons eligible under and governed by the 2013 Plan (the "Plan"). The Company's prior 10% rolling stock option plan was concurrently terminated and all options outstanding under the prior plan are now governed by the Plan.

Under the Plan, the exercise price of any stock option granted may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less discount permitted by the policies of the Exchange. The options can be granted for a maximum of ten years and vesting is determined by the Board of Directors at the time of the grant.

During the year ended July 31, 2015, the Company granted 820,000 stock options to officers and consultants. These options vest quarterly over a 12-month period, resulting in $40,134 share-based payments recorded during the year ended July 31, 2015. During the year ended July 31, 2016, share based payments of $8,744 was recognized for these stock options.

During the year ended July 31, 2016, the Company granted 200,000 stock options to a consultant. These options vest quarterly over a 12-month period, resulting in $10,180 share-based payments recorded during the year ended July 31, 2016

Share-based payments

The fair value of stock options used to calculate share-based payments for options granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018	2017	2016	2015
Risk-free interest rate	-	-	-	0.83%	0.78%
Expected life	-	-	-	5 years	5 years
Expected stock price volatility	-	-	-	100%	100%
Expected dividend yield	-	-	-	0.00%	0.00%
Forfeiture rate	-	-	-	0.00%	0.00%

Expected stock price volatility was derived from an average volatility based on historical movements in the closing prices of the Company's or comparable companies' stocks for a length of time equal to the expected life of the options or warrants.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Stock options

A summary of the Company's stock options as at July 31, 2019, 2018, 2017, 2016, and 2015 and changes during the years are as follows:

	2019		2018		2017		2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	820,000	$0.15	5,520,000	$0.15	6,420,000	$ 0.16	7,020,000	$0.16	6,900,000	$0.16
Expired	-	-	(4,700,000)	$0.15	(900,000)	$ 0.205	(800,000)	$0.15	(400,000)	$0.16
Cancelled	-	-	-	-	-	-	-	-	(300,000)	$0.205
Granted	-	-	-	-	-	-	200,000	$0.15	820,000	$0.15
Closing balance	820,000	$0.15	820,000	$0.15	5,520,000	$0.15	6,420,000	$0.16	7,020,000	$0.16

A summary of the stock options outstanding at each year-end is as follows:

2015				
Grant Date Fair Value	Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$ 0.13	June 11, 2015	-	-	-
$ 0.13	January 7, 2016	450,000	$ 0.150	0.44
$ 0.12	February 9, 2016	150,000	$ 0.150	0.53
$ 0.155	March 19, 2017	900,000	$ 0.205	1.64
$ 0.08	November 9, 2017	1,250,000	$ 0.140	2.28
$ 0.155	May 7, 2018	3,450,000	$ 0.155	2.77
$ 0.089	January 27, 2020	820,000	$ 0.150	4.50
		7,020,000	$ 0.158	2.54

		2017			2016		
Grant Date Fair Value	Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$ 0.155	March 19, 2017	-	-	-	900,000	$ 0.205	0.63
$ 0.08	November 9, 2017	1,250,000	$ 0.140	0.28	1,250,000	$ 0.140	1.28
$ 0.155	May 7, 2018	3,450,000	$ 0.155	0.77	3,450,000	$ 0.155	1.77
$ 0.089	January 27, 2020	620,000	$ 0.150	2.49	620,000	$ 0.150	3.49
$ 0.052	September 8, 2020	200,000	$ 0.150	3.11	200,000	$ 0.150	4.11
		5,520,000	$ 0.151	0.88	6,420,000	$ 0.158	1.68

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Stock options (continued)

		2019			2018		
Grant Date Fair Value	Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$ 0.089	January 27, 2020	620,000	$ 0.150	0.49	620,000	$ 0.150	1.49
$ 0.052	September 8, 2020	200,000	$ 0.150	1.11	200,000	$ 0.150	2.11
		820,000	$ 0.150	0.40	820,000	$ 0.150	1.20

Share purchase warrants

A summary of the Company's warrants as at July 31, 2019, 2018, 2017, 2016, and 2015 and changes during the years are as follows:

As at July 31, 2015, the Company had the following warrants outstanding.

Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (Years)	Outstanding at July 31, 2014	Issued	Exercised	Expired	Outstanding at July 31, 2015
$ 0.20	October 25, 2014	-	870,000		-	870,000	-
$ 0.10	March 28, 2015	-	1,600,000		-	1,600,000	-
$ 0.10	April 3, 2015	-	510,000		-	510,000	-
$ 0.10	July 11, 2016	0.95	320,000		-	-	320,000
$ 0.10	October 7, 2016	1.19	-	6,512,154	-	-	6,512,154
$ 0.18	January 13, 2016	0.47	-	2,348,333	-	-	2,348,333
			3,300,000	8,860,487	-	2,980,000	9,180,487

As at July 31, 2016, the Company had the following warrants outstanding.

Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (Years)	Outstanding at July 31, 2015	Issued	Exercised	Expired	Outstanding at July 31, 2016
$ 0.10	July 11, 2016	-	320,000	-	-	320,000	-
$ 0.10	October 7, 2016	0.19	6,512,154	-	-	-	6,512,154
$ 0.18	January 13, 2016	-	2,348,333	-	-	2,348,333	-
			9,180,487	-	-	2,668,333	6,512,154

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Share purchase warrants (continued)

As at July 31, 2017, the Company had the following warrants outstanding.

Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (Years)	Outstanding at July 31, 2016	Issued	Exercised	Expired	Outstanding at July 31, 2017
$ 0.10	October 7, 2016	-	6,512,154	-	-	6,512,154	-
			6,512,154	-	-	6,512,154	-

11. RELATED PARTY TRANSACTIONS

Key management compensation

The following related party transactions are in addition to those disclosed elsewhere in these consolidated financial statements:

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation comprises:

	2019 $	2018 $	2017 $	2016 $	2015 $
Management fees [1, 2]	100,490	430,000	360,000	360,000	260,000
Consulting [3]	-	20,381	30,452	-	28,367
Investor relation fees [4]	4,100	94,000	72,000	72,000	72,000
Share-based compensation [5, 6]	-	-	-	13,838	14,283
	104,590	544,381	462,452	445,838	374,650

1) During the years ended July 31, 2019, 2017, and 2016, the Company paid or accrued $240,000 per year for management fees to the CEO and director. During the years ended July 31, 2018 and July 31, 2015, the Company paid or accrued $310,000 and $190,000 respectively for management fees to the CEO and director. During the year ended July 31, 2019, the Company and the CEO and director agreed to forgive $46,600 of accrued compensation, which is recorded as a reduction to management fees.
2) During the years ended July 31, 2019, 2018, 2017, 2016, the Company paid or accrued $120,000 per year for management fees to the CFO and director. During the year ended July 31, 2015, the Company paid or accrued $70,000 for management fees to the CFO and director. During the year ended July 31, 2019, the Company and the CFO and director agreed to forgive $212,910 of accrued compensation, which is recorded as a reduction to management fees.
3) During the years ended July 31, 2018, 2017 and 2015, the Company paid $20,381, $30,452, and $28,367 respectively to a Director for consulting services, which have been capitalized as mineral properties.
4) During each of the years ended July 31, 2017, 2016, and 2015, the Company paid or accrued $72,000 to the VP of Investor Relations for investor relations services During the years ended July 31, 2019 and July 31, 2018, the Company paid or accrued $96,000 and $94,000 respectively to the VP of Investor Relations for investor relations services. During the year ended July 31, 2019, the Company and the VP of Investor Relations agreed to forgive $91,900 of accrued compensation, which is recorded as a reduction to investor relation fees.
5) During the year ended July 31, 2015, the Company granted 200,000 stock options to a Director. These options vest quarterly over a 12-month period, resulting in $14,283 and $3,658 share-based payments recorded during the year ended July 31, 2015 and 2016 respectively.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (Continued)

6) During the year ended July 31, 2016, the Company granted 200,000 stock options to the Company's VP of Investor Relations. These options vest quarterly over a 12-month period, resulting in $10,180 share-based payments recorded during the year ended July 31, 2016.

As at July 31, the following amounts were included in trades and other payables owing to those directors and officers for management fees, bonus accrual, and expense reimbursements.

	2019 $	2018 $	2017 $	2016 $	2015 $
Included in trade and other payables:					
Interest payable on convertible debenture (Note 8) [1]	325,845	237,845	149,845	91,845	43,549
Directors fees payable	-	253,167	439,618	338,807	46,321
	325,845	491,012	589,463	430,652	89,870
Included in due to related parties:					
Due to CEO and director [2]	53,444	34,076	10,500	100	100
Due to entity controlled by director [3]	2,505	2,505	2,505	2,505	2,505
	55,949	36,581	13,005	2,605	2,605

1) Included in trade and other payables during the years ended July 31, 2019, 2018, 2017, 2016 and 2015, is interest accrued on the convertible debenture due to a family member of the CEO and director (Note 8).

2) At July 31, 2019, 2018, 2017, 2016 and 2015, the CEO and director advanced funds to the Company for working capital purposes. These amounts are interest-free and payable on demand.

3) TAC Gold Corp., an entity controlled by a director of the Company, advanced $2,505 to the Company for working capital purposes. These amounts are interest-free and payable on demand.

The amounts due to related parties are unsecured, without interest or specified terms of repayment.

Other Transactions

As disclosed in Note 7, During each of the years ended July 31, 2019, 2018, 2017, 2016 and 2015, interest income of $10,000 was accrued for the $100,000 loan advanced to the CEO of the Company as below:

	2019	2018	2017	2016	2015
Interest income ($)	10,000	10,000	10,000	10,000	10,000
Loan receivable ($)	180,511	170,511	160,511	150,511	140,511

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (Continued)

As at each year ended July 31, the following amounts paid to the CEO of the Company are included in advances and prepaid expenses for expense reimbursements.

	2019	2018	2017	2016	2015
Prepaid expenses ($)	-	-	-	1,592	7,092

During the year ended July 31, 2015, the CFO and director of the Company was issued 375,000 units as part of the October 2014 private placement for proceeds of $33,750 (Note 10).

During the year ended July 31, 2015, a family member of the CEO and director of the Company was issued 1,833,333 units as part of the January 2015 private placement for proceeds of $220,000 (Note 10).

12. INCOME TAXES

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

	2019 $	2018 $	2017 $	2016 $	2015 $
Net loss	(658,123)	(1,035,800)	(810,595)	(623,561)	(813,715)
Statutory income tax rate	27%	27%	26%	26%	26%
Income tax benefit computed at statutory rate	(177,693)	(279,666)	(210,755)	(162,126)	(211,566)
Items non-deductible for income tax purposes	-	-	-	4,920	35,525
Differences between Canadian and foreign tax rates	-	-	-	(215)	(2,899)
Change in timing differences	7,190	18,788	-	-	(54,859)
Effects of change in tax rates reduction	-	(62,201)	-	-	-
Over provided in prior year	-	-	-	-	(20,190)
Unused tax losses and tax offsets not recognized	(170,503)	(323,079)	(210,755)	(157,421)	(253,989)
	-	-	-	-	-

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the consolidated statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	2019 $	2018 $	2017 $	2016 $	2015 $
Tax value over book value of mineral property interests	-	-	1,070,978	1,070,978	1,070,978
Tax value over book value of equipment	2,070	1,926	1,717	1,578	1,440
Tax value over book value of share issue costs	-	464	1,173	1,899	35,650
Tax value over book value of other assets	-	7,046	-	-	-
Non-capital losses carried forward	7,115,408	6,104,688	5,162,308	4,349,453	3,742,556
Net deferred income tax asset	7,117,478	6,114,124	6,236,176	5,423,908	4,850,624

(Expressed in Canadian Dollars)

12. INCOME TAXES (Continued)

As at July 31, 2019, the Company has non-capital losses of approximately $7,153,100 that may be applied to reduce future income for Canadian income tax purposes. The losses expire as follows:

	$
2026	42,800
2027	63,800
2028	140,500
2029	282,700
2030	543,700
2031	764,100
2032	699,300
2033	484,300
2034	716,400
2035	606,900
2036	812,900
2037	942,400
2038	1,010,700
2039	42,600
	7,153,100

13. SEGMENTED INFORMATION

The Company has one industry segment, the exploration and development of mineral property interests, and operates in two geographic segments, Canada and the USA. As at each year end, mineral property interests are held in the USA as below:

2019 ($)	**2018 ($)**	**2017 ($)**	**2016 ($)**	**2015 ($)**
671,634	671,634	2,363,896	2,167,568	2,040,310

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The carrying values of cash, loan receivable, trade and other payables, convertible debenture, and due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The fair value of loan receivable approximates its carrying value, as the loan bears interest at the appropriate market rate of interest.

The fair value of the marketable securities are valued at

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and loan receivable.

The risk is minimized as cash has been placed at major Canadian and US financial institutions with strong investment-grade ratings by a primary ratings agency, in accordance with the Company's investment policy The Company's concentration of credit risk and maximum exposure for cash at July 31, 2019 is $162. The loan receivable of $180,511 (2018 - $170,511; 2017 - $160,511; 2016 - $150,511; 2015 - $140,511) is due from an officer of the Company . Management has determined there is no credit risk under the expected credit loss model.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to mitigating liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company has working capital deficit at July 31, 2019 of $2,746,711 (2018 - $2,089,120; 2017 - $2,746,113; 2016 - $1,739,722; 2015 - $1,008,359).

As at July 31, 2019, 2018, 2017, 2016, and 2015 all of the Company's financial liabilities are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is exposed to interest rate risk on the loan receivable with interest rate set at 10% and on the convertible debenture with interest rate set at 12%.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars). The Company does not manage currency risk through hedging or other currency management tools.

The Company's net exposure to foreign currency risk is as follows:

	As at July 31,				
	2019	**2018**	**2017**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**
Cash	-	-	53	-	747
Accounts payable	(63,508)	(60,508)	(70,901)	(49,714)	(86,430)
Total exposure to currency risk	(63,508)	(60,508)	(70,848)	(49,714)	(85,683)
Canadian dollar equivalent	(83,195)	(78,763)	(88,560)	(64,907)	(112,073)
Estimated fluctuations in FX	10%	10%	10%	10%	10%
Estimated impact on Company's net loss and comprehensive loss	8,320	7,876	8,856	6,497	11,207

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

There is no change to the Company's approach to risk management during the year.

15. CAPITAL MANAGEMENT

The Company is an exploration stage company and currently does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the fiscal year ended July 31, 2019.