Graphite Energy Corp.

Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Graphite Energy Corp.

Opinion

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

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

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has an accumulated deficit of $1,920,855 as at June 30, 2019. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

August 20, 2019

Graphite Energy Corp.
Statement of Financial Position
(Expressed in Canadian dollars)

	Notes	June 30, 2019 -$-	June 30, 2018 -$-
ASSETS			
Current assets			
Cash		1,764	147,269
GST Receivable		13,365	10,970
Prepaid expenses		-	10,834
		15,129	**169,073**
Non-current assets			
Exploration and evaluation asset	3	-	579,376
TOTAL ASSETS		**15,129**	**748,449**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	4	318,595	140,517
TOTAL LIABILITIES		**318,595**	**140,517**
SHAREHOLDERS' EQUITY			
Share capital	5	1,617,389	1,617,389
Deficit		(1,920,855)	(1,009,457)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(303,466)**	**607,932**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**15,129**	**748,449**

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board on August 20, 2019:

"Teresa Cherry" Director *"Adrian F.C. Hobkirk"* Director

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	June 30, 2019 - $ -	June 30, 2018 - $ -
EXPENSES			
Consulting fees	6	-	571,638
Office and administration		13,345	5,468
Management and directors fees	6	252,687	91,438
Professional fees	6	17,319	98,296
Regulatory and filing fees		11,277	17,597
Shareholder communications		1,419	15,644
Share based payment		-	3,255
Transfer agent fees		9,296	35,711
Travel and related fees		1,279	-
Miscellaneous fees		3,613	-
Total expenses		(310,235)	(839,047)
Other items			
Gain on debt forgiveness		41,785	-
Impairment of exploration and evaluation asset	3	(643,411)	-
Foreign exchange loss		463	6,680
Net loss and comprehensive loss		**(911,398)**	**(832,367)**
Basic and diluted loss per share		**(0.32)**	**(0.35)**
Weighted average shares outstanding		**2,816,051**	**2,406,105**

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Share capital Number of shares	Amount	Special warrants	Stock option reserve	Deficit	Total
			- $ -	- $ -	- $ -	- $ -	- $ -
Balance at June 30, 2017		**1,940,001**	**653,184**	**164,250**	**-**	**(177,090)**	**640,344**
Special warrants issued		-	-	1,900	-	-	1,900
Shares issued, special warrants converted	5	166,150	166,150	(166,150)	-	-	-
Issuance of common shares for cash	5	200,000	200,000	-	-	-	200,000
Warrants exercised	5	504,900	584,800	-	-	-	584,800
Share-based payments	5	-	-	-	3,255	-	3,255
Reallocation of fair value of stock options exercised	5	-	3,255	-	(3,255)	-	-
Stock options exercised	5	5,000	10,000	-	-	-	10,000
Net and comprehensive loss for the year		-	-	-	-	(832,367)	- 832,367
Balance at June 30, 2018		**2,816,051**	**1,617,389**	**-**	**-**	**(1,009,457)**	**607,932**
Net and comprehensive loss for the year		-	-	-	-	(911,398)	(911,398)
Balance at June 30, 2019		**2,816,051**	**1,617,389**	**-**	**-**	**(1,920,855)**	**(303,466)**

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statement of Cash Flows
(Expressed in Canadian dollars)

	June 30, 2019 $	June 30, 2018 $
Operating activities		
Loss for the year	(911,398)	(832,367)
Items not affecting cash		
Stock option compensation	-	3,255
Impairment of exploration and evaluation asset	643,411	-
Gain on debt forgiveness	(41,785)	-
Net change in non-cash working capital items:		
GST receivable	(2,396)	(8,696)
Prepaid expenses	10,834	(10,834)
Accounts payable and accrued liabilities	155,827	25,364
Net cash flows used in operating activities	(145,506)	(823,278)
Investing activities		
Expenditures on exploration and evaluation asset	-	(192,589)
Net cash flows used by investing activities	-	(192,589)
Financing activities		
Shares issued, net of share issuance cost	-	200,000
Issuance of special warrants	-	1,900
Options exercised	-	10,000
Warrants exercised	-	584,800
Net cash flows provided by financing activities	-	796,700
Change in cash during period	(145,506)	(219,167)
Cash, beginning	147,269	366,436
Cash, ending	**1,764**	**147,269**

During the year ended June 30, 2019, the Company had no non-cash transactions.

During the year ended June 30, 2018:
- The Company converted 166,150 special warrants valued at $166,150, into units of the Company;
- The Company reclassified $3,255 from reserves to share capital on the exercise of 5,000 stock options; and
- Expenditures of $76,562 on exploration and evaluation assets are included in accounts payable and accrued liabilities

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern

Graphite Energy Corp. (the "Company") was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are listed on the Canadian Security Exchange ("CSE"). During the year ended June 30, 2019, the Company completed a 10 for 1 share consolidation. All references to the number of shares and per share amounts have retroactively restated to reflect the consolidation.

The head office and principal address of the Company is located at 789 West Pender Street, Suite 1510, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records office address is 221 West Esplanade, Suite 409, North Vancouver, British Columbia, Canada, V7M 3J3.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At June 30, 2019, the Company had not achieved profitable operations, had an accumulated deficit of $1,920,855, had not advanced its mineral property to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation

These financial statements were authorized for issue on August 20, 2019, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
These financial statements of the Company 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 Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in preparation of these consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2018, except for the following:

Changes in accounting policies

Financial instruments
On July 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial instruments.

Basis of preparation
These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

Significant accounting judgments, estimates and assumptions
The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

ii) Impairment of assets

Economic recoverability and probability of future benefits of exploration and evaluation assets. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

iii) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

iv) Deferred taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized.

v) Share-Based Compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the period end exchange rate. Non-monetary assets and liabilities measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting is determined by the Board of Directors.

Financial instruments

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments (cont'd)

at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at June 30, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Trade payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on June 30, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments (cont'd)

of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
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.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of assets
The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are 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 were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any restoration provisions at June 30, 2019 and 2018.

(Expressed in Canadian dollars)

3. Exploration and evaluation asset

Lac Aux Bouleaux Graphite Project – Quebec, Canada

On December 20, 2016, and amended March 30, 2017 and September 11, 2017, the Company entered into a purchase option agreement ("agreement") with Gold Port Resources Ltd ("GPRL") to earn a 100% interest in the Lac Aux Bouleaux Graphite Project ("LAB Project"). The LAB Project is a contiguous set of 14 claims located in the Province of Quebec. To earn its interest in the project, the Company must pay GPRL $60,000 (paid), a second payment of $60,000 (paid) on the closing date (the date on which the shares of the Company trade on a stock exchange) and a final payment of $60,000 six months from the closing date. Additionally, the Company must issue 5,000,000 common shares (issued) upon signing of the agreement, which shall be subject to a one-year trading restriction from the closing date in addition to any trading restrictions imposed by the British Columbia Securities Commission.

During the year ended June 30, 2019, as a result of the Company's intention to change its business, by entering into a Definitive Agreement with World Farm's Corp. (Note 8), and it's negotiations with GPRL with respect to the final payment of $60,000 (due on April 15, 2018), the Company returned the property to GPRL and fully impaired the property.

The Company incurred exploration and evaluation costs during the year ended June 30, 2019 and the year ended June 30, 2018 as follows:

	Year ended June 30, 2019 -$-	**Year ended June 30, 2018 -$-**
Property acquisition costs		
Opening balance	370,000	310,000
Costs incurred during the year:		
Additions	60,000	60,000
Impairment	(430,000)	-
Total property acquisition costs	**-**	**370,000**
Exploration and evaluation costs		
Opening balance	209,376	225
Costs incurred during the year:		
Administration	81	1,483
Assaying	1,613	27,188
Camp operations	-	26,759
Consulting	2,341	77,251
Drilling	-	54,553
Travel and accommodation	-	21,918
Impairment	(213,411)	
Total exploration and evaluation costs	**-**	**209,376**
Ending Balance	**-**	**579,376**

(Expressed in Canadian dollars)

4. Trade payables and accrued liabilities

	June 30, 2019 -$-	June 30, 2018 -$-
Trade payables	78,851	25,081
Amounts due to related parties (Note 6)	226,144	105,336
Accrued liabilities	13,600	10,100
Total	**318,595**	**140,517**

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At June 30, 2019 and June 30, 2018, there were 2,816,051 issued and fully paid common shares.

During the year ended June 30, 2019, there were no share capital transactions.

During the year ended June 30, 2018, the Company had the following share capital transactions:

On November 2, 2017, the Company completed a private placement comprised of 200,000 common shares of the Company at a price of $1.00 per share for gross proceeds of $200,000.

During the year ended June 30, 2018, 166,150 special warrants were converted into 166,150 common shares and 83,075 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $2.00 per share.

During the year ended June 30, 2018, 504,900 warrants were exercised at prices ranges from $1.00 to $2.00 per share for gross proceeds of $584,800.

During the year ended June 30, 2018, 5,000 stock options at a price of $2.00 were exercised for gross proceeds of $10,000.

Warrants

During the year ended June 30, 2018, 166,150 special warrants were converted into 166,150 common shares and 83,075 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $2.00 per share.

On February 28, 2017, the Company issued 166,050 special warrants ("Special Warrant") for gross proceeds of $166,050 pursuant to a private placement. Each Special Warrant entitles the holder to acquire one unit ("Unit") of the Company. Each Unit consists of one common share and one-half of one share purchase warrant ("Regular Warrant"). Each full Regular Warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $2.00 per share.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

On April 10, 2017, the Company issued an additional 1,500 Units for gross proceeds of $1,500 pursuant to a private placement. Each Unit consists of special warrant ("Special Warrant") and one-half of one share purchase warrant ("Regular Warrant"). Each Special Warrant entitles the holder the right to acquire, without additional payment, one common share of the Company. Each full Regular Warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months from closing of the private placement, at an exercise price of $2.00 per share.

In August 2017, 1,900 special warrants were issued for proceeds of $1,900. Each special warrant entitles the holder to acquire one unit of the Company. Each unit consists of one common share and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of $2.00 per share.

The Special Warrants will automatically convert to common shares of the Company on the earlier of: (a) the first business day following the day on which a receipt for a final prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia or such other jurisdictions as may be determined by the Company qualifying the distribution of the common shares; and (b) four months and a day from the date of the issuance of the Special Warrants.

During the year ended June 30, 2018, 504,900 warrants were exercised into 504,900 common shares of the Company for gross proceeds of $584,800.

The following table summarizes information about the warrant transactions during the years ended June 30, 2019 and 2018:

	Special Warrants		Warrants	
	Number of warrants	**Weighted average exercise price - $ -**	**Number of warrants**	**Weighted average exercise price - $ -**
Outstanding, June 30, 2017	164,250	-	425,000	1.00
Issued	1,900	-	83,075	2.00
Converted	(166,150)	-	(504,900)	1.20
Outstanding, June 30, 2018	**-**	**-**	**3,175**	**2.00**
Expired	-	-	(3,175)	2.00
Outstanding, June 30, 2019	**-**	**-**	**-**	**-**

Stock options

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

***Stock options** (cont'd)*

As at June 30, 2019 and June 30, 2018, the Company has nil options outstanding.

On October 19, 2017, the Company granted 32,500 stock options to certain directors and consultants of the Company. These options were exercisable for up to five years at a price of $2.00 per share. On February 8, 2018, prior to any of these stock options vesting, 27,500 of these options were cancelled. The Company recognized share-based payments of $3,255 for the year ended June 30, 2018 determined by the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.7%, volatility of 100.14%, a dividend rate of Nil and an expected life of 5 years.

During the year ended June 30, 2018, 5,000 options were exercised for gross proceeds of $10,000.

No options were outstanding at March 31, 2019.

Stock option reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

6. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	June 30, 2019 - $ -	**June 30, 2018 - $ -**
Companies controlled by current and former directors and officers of the Company	146,000	72,346
Directors and officer of the Company	80,144	32,990
	226,144	105,336

Transactions

During the year ended June 30, 2019, the Company incurred management fees of $67,687 to the CEO of the Company and director fees of $75,000 to a company controlled by a director of the Company. The Company also incurred consulting and professional fees of $110,000 with a company controlled by the CFO of the Company.

During the year ended June 30, 2018, the Company incurred exploration expenditures of $101,008 and management fees of $14,125 with a company controlled by the former CEO of the Company for geological and management services. The Company also incurred professional fees of $29,377 with a company controlled by a former director and officer for accounting and corporate secretarial services and $25,000 in management and consulting fees with a company controlled by an officer and director of the Company

6. Related party transactions (cont'd)

***Transactions** (cont'd)*

for CFO services, and $52,313 in consulting fees with directors of the company or companies controlled by directors.

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at June 30, 2019, the Company had no financial assets or liabilities denominated in a foreign currency and foreign exchange risk is assessed as low.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital Management
The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the year ended June 30, 2019.

7. Financial risk and capital management (cont'd)

Fair value

The Company's financial instruments consist of cash, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using Level 1 inputs.

8. Transaction

During the year ended June 30, 2019, the Company announced that it has entered into a business combination agreement dated June 25, 2019 (the "Definitive Agreement") with World Farms Corp. ("WFC"), pursuant to which the Company will acquire all of the issued and outstanding securities of WFC (the "Transaction"), as more particularly described below. WFC owns a portfolio of international cannabis assets.

The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the CSE. If completed, the Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in CSE policies.

Pursuant to the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of WFC from WFC's security holders. Each shareholder of WFC will receive one common share of the Company for each common share of WFC held. The share purchase warrants of WFC will also be exchanged for share purchase warrants of the Company. Upon completion of the Transaction, WFC will become a wholly-owned subsidiary of the Company and the Company will change its name to "World Farms Corp.", or such other name as the parties may reasonably agree upon. The combined entity will continue the business of WFC.

The Transaction is conditional upon:

(i) the representations and warranties of each of GRE and WFC, as set out in the Definitive Agreement, being true and correct in all material respects at the closing of the Transaction;
(ii) the absence of any material adverse change in the business of each of the parties;
(iii) the parties receiving all requisite regulatory approval, including the approval of the Exchange, and any third-party approvals and authorizations;
(iv) WFC and GRE obtaining the requisite shareholder approvals for the Transaction; and
(v) the parties obtaining requisite board approvals for the Transaction.

(Expressed in Canadian dollars)

9. Income Tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	June 30, 2019 -$-	**June 30, 2018 -$-**
Net loss	(911,398)	(832,367)
Statutory tax rate	27%	26%
Expected income tax recovery	(246,077)	(216,415)
Other	-	845
Change in unrecognized deductible temporary differences	256,158	215,570
Effect of change in tax rate	(10,080)	-
Total income tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2019 -$-	**June 30, 2018 -$-**
Unrecognized deferred tax assets:		
Share issue costs	196	283
Non-capital losses	501,786	111,164
Resource pool	16,261	150,637
Total unrecognized deferred tax assets	518,242	262,084