CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2019

EXPRESSED IN CANADIAN DOLLARS

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NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

TNR GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – unaudited)
AS AT

		June 30, 2019		December 31, 2018
ASSETS				
Current				
Cash	$	78,69	$	12,74
Receivables		4,42		105,73
Prepaids		6,80		5,32
Marketable securities (Note 3)		68,36		93,41
Convertible debenture receivable (Note 4)		-		700,00
		158,29		917,21
Right-of use asset (Note 6)		15,15		-
Total assets	$	173,44	$	917,21
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current				
Accounts payable and accrued liabilities	$	123,44	$	268,73
Current portion of lease liability (Note 6)		13,80		-
Current loan payable (Note 7)		-		5,603,58
		137,24		5,872,31
Lease liability (Note 6)		1,61		-
Loan payable (Note 7)		4,235,45		-
		4,374,31		5,872,31
Shareholders' deficiency				
Share capital (Note 8)		35,505,19		35,505,19
Reserves (Note 8)		5,435,81		5,434,21
Deficit		(45,141,887		(45,894,52
		(4,200,870)		(4,955,108)
Total liabilities and shareholders' deficiency	$	173,44	$	917,21

Nature and continuance of operations (Note 1)
Commitments (Note 9)

On behalf of the Board on August 27, 2019

"Kirill Klip" Director *"John Davies"* Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

TNR GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars – unaudited)

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
OPERATING EXPENSES				
Administration fees (Note 9)	$ 6,06	$ 3,86	$ 12,06	$ (8,834
Consulting fees (Note 9)	27,750	31,30	104,46	62,12
Depreciation (Note 6)	3,249	-	6,49	-
Directors' fees (Note 9)	42,000	6,00	84,00	12,50
Foreign exchange (gain) loss	(1,572)	2,86	(666)	4,89
Interest and bank charges (Note 7)	203,621	234,80	397,08	469,35
Management fees (Note 9)	30,000	9,00	60,00	18,00
Office and miscellaneous	12,874	14,04	18,75	23,96
Professional fees	24,911	24,02	67,87	29,27
Shareholder communications	1,392	2,83	9,33	5,16
Share-based payments (Note 9)	-	106,52	1,60	211,87
Transfer agent and filing fees	2,789	2,56	12,74	9,67
Travel and related	-	647	4,88	647
Total operating expenses	(353,080	(438,469	(778,632	(838,650
Other income (loss)				
Interest income (Note 4)	-	26,17	11,18	51,49
Gain on settlement of debt (Note 7)	-	-	1,461,200	-
Other income	20,31	-	20,31	-
Unrealized gain (loss) marketable securities (Note 3)	48,65	311,64	167,81	(444,823
Unrealized loss on change in fair value of convertible note (Note 4)	-	19,05	-	(319,121
Realized gain (loss) on marketable securities (Note 3)	(55,231	(249,793	(129,258	(234,928
Total other income (loss)	13,73	107,08	1,531,260	(947,379
Comprehensive income (loss) for the period	$ (339,345	$ (311,380	$ 752,63	$ (1,786,029
Basic and diluted income (loss) per common share	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	157,016,447	157,016,447	157,016,44	157,016,44

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

TNR GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income (loss) for the period	$ (752,635)	$ (1,786,029)
Items not affecting cash:		
Depreciation	6,498	-
Interest expense	393,744	466,965
Gain on settlement of debt	(1,461,208)	-
Realized (gain) loss on marketable securities	129,258	234,928
Share-based payments	1,603	211,878
Unrealized (gain) loss on marketable securities	(167,817)	444,823
Unrealized loss on change in fair value of convertible note	-	319,121
Changes in non-cash working capital items:		
Receivables	101,304	(34,559)
Prepaids	(1,481)	5,601
Accounts payable and accrued liabilities	(145,291)	(128,443)
Net cash used in operating activities	(390,755)	(265,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	63,603	448,545
Purchase of marketable securities	-	(91,860)
Settlement of convertible receivable	700,001	-
Net cash provided by investing activities	763,604	356,685
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan payable	(300,000)	-
Repayment of lease liability	(6,900)	-
Net cash provided by investing activities	(306,900)	-
Net change in cash	65,949	90,970
Cash, beginning of the period	12,742	2,521
Cash, end of the period	$ 78,691	$ 93,491

Significant non-cash transactions during the periods ended June 30, 2019 and 2018:

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

TNR GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars – unaudited)

	Share capital								
	Number		Amount		Reserves		Deficit		Total
Balance, December 31, 2017	157,016,447	$	35,505,199	$	5,055,484	$	(43,262,509)	$	(2,701,826)
IFRS 9 transition adjustment to opening retained earnings (Note 4)	-		-		-		380,360		380,360
Share-based payments	-		-		211,878		-		211,878
Comprehensive loss for the period	-		-		-		(1,786,029)		(1,786,029)
Balance June 30, 2018	157,016,447	$	35,505,199	$	5,267,362	$	(44,668,178)	$	(3,895,617)
Balance, December 31, 2018	157,016,447	$	35,505,199	$	5,434,215	$	(45,894,522)	$	(4,955,108)
Share-based payments	-		-		1,603		-		1,603
Comprehensive income for the period	-		-		-		752,635		752,635
Balance, June 30, 2019	157,016,447	$	35,505,199	$	5,435,818	$	(45,141,887)	$	(4,200,870)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

TNR Gold Corp. (the "Company") was incorporated on January 14, 1988 under the laws of the Province of British Columbia. The Company's head office address is Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. The registered and records office address is Suite 400 – 725 Granville Street, Vancouver B.C. V7Y 1G5. The Company is listed on the TSX Venture Exchange and trades under the stock symbol "TNR".

The Company is in the business of acquiring and owning royalties which will pay out in future but only if the related properties go into production. These royalties are currently receivable from companies with copper and lithium operations in Argentina. The Company is also in the business of acquiring and exploring its mineral properties located in the United States.

These condensed interim consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has not generated revenue from operations; additional financing will be required. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") 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 condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the following:

Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Statement of Compliance (cont'd)

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019, the Company recognized $21,650 in right-of-use assets and $21,650 in lease liabilities.

<u>New accounting policy for leases under IFRS 16</u>

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Statement of Compliance (cont'd)

New accounting policy for leases under IFRS 16 (cont'd)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Basis of Presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company transactions and accounts have been eliminated upon consolidation. The Company's subsidiaries are as follows:

	Country of Incorporation	Principal Activity	Effective Interest
0828073 BC Ltd.	Canada	Holding company	90%
Ameri Gold Corp.	Canada	Holding company	100%
Bristol Exploration Co. Inc. ("Bristol")	USA	Holding company	90%
Compania Minera Solitario de Argentina S.A. ("Solitario")	Argentina	Mining company	100%
TNR Gold Investment Corp.	British Virgin Islands	Holding company	100%

Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

(Expressed in Canadian Dollars – unaudited)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The most significant estimates relate to the valuation of deferred income tax amounts, value of marketable securities, certain financial instruments, valuation of right-of-use asset and lease liabilities and calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 8. Value of marketable securities is based on the closing share price on the date of the Statement of Financial Position and may be influenced by trading volume activities. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred tax assets. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 - The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

3. MARKETABLE SECURITIES

		June 30, 2019		December 31, 2018
Eastern Zinc Corp. (cost $26,433)	$	3,1	$	3,5
International Lithium Corp. ("ILC") (cost $216,157)		65,2		89,835
Total	$	68,3	$	93,4

For the period ended June 30, 2019, the Company:

- Sold 1,054,000 (2018 – 4,409,500) ILC common shares for proceeds of $63,603 (2018 - $448,545) resulting in a realized loss (gain) of $129,258 (2018 - $234,928). The adjustment to fair value as at June 30, 2019 resulted in an unrealized loss (gain) of $(167,817) (2018 - $445,603).

(Expressed in Canadian Dollars – unaudited)

4. CONVERTIBLE DEBENTURE RECEIVABLE AND DERIVATIVE ASSET

Convertible Debentures Receivable

During the year ended December 31, 2017, the Company invested $700,000 in the convertible securities of ILC. The convertible securities bear interest at 15% per annum, receivable January 31 of each year, and have a maturity date of January 31, 2019. The Company may convert at any time, all or a portion of the principal into common shares of ILC at a price of $0.14 per common share. ILC has the right to repay the convertible loan, at any time on the last business day of the month, upon 10 days' notice to the lender.

The Company's convertible debenture receivable matured on January 31, 2019. The Company served ILC with a notice of default on February 1, 2019, following which the Company received $807,273, representing principal and interest due up to the date of repayment on February 7, 2019. During the period, the Company earned interest income of $11,189 (2018 - $25,314). As at June 30, 2019, the Company accrued interest receivables of $Nil (December 31, 2018 - $96,082), recorded within receivables on the consolidated statement of financial position.

On January 1, 2018, the Company adopted IFRS 9 which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 resulted in the Company no longer separating the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. The adoption of IFRS 9 resulted in balances shown as convertible debenture receivable and derivative asset as at December 31, 2017 to be combined into a single figure and shown as convertible debenture receivable as at December 31, 2018.

	Period ended June 30, 2019	Year ended December 31, 2018
Convertible debenture receivable, beginning of period	$ 700,001	$ 319,6
IFRS 9 transition adjustment	-	765,7
Change in fair value of convertible debenture receivable	-	(385,35
Settlement of convertible debenture receivable	(700,000)	-
Change in fair value of convertible debenture receivable	(1)	-
Convertible debenture receivable, end of period	$ -	$ 700,0

The fair value of the equity conversion option component was estimated on transition date to be $385,350.

As at March 31, 2018, the fair value of the equity conversion option was $47,175. As a result, an unrealized loss of $338,175 was recorded. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 1.08 years, a risk-free rate of 1.66%, a forfeiture rate of 0%, and volatility of 83.6% on transition date. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 0.84 year, a risk-free rate of 1.76%, a forfeiture rate of 0%, and volatility of 66.6% as at March 31, 2018.

As at December 31, 2018, the fair value of the equity conversion option was $1. As a result, an unrealized loss of $385,349 was recorded. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 1.08 years, a risk-free rate of 1.66%, a forfeiture rate of 0%, and volatility of 83.6% on transition date. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 0.08 year, a risk-free rate of 1.85%, a forfeiture rate of 0%, and volatility of 108.22% as at December 31, 2018.

5. EXPLORATION AND EVALUATION ASSETS

Title to Mineral Property Interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company relies on the confirmation of its ownership for mining claims from the appropriate government agencies when paying rental payments for such mining claims requested by these agencies. There could be a risk in the future of the changing internal policies of such government agencies or risk related to third parties challenging in the future the ownership of such mining claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Shotgun Gold Project (Alaska)

The Company, through its 90% controlled subsidiary Bristol Exploration Co. Inc., owns 100% of certain unpatented mineral claims located in the Kuskokwim and Bristol Bay district, Alaska. NovaGold Resources Alaska, Inc. retains a 2% net smelter returns royalty ("NSR") which can be purchased by the Company for US$5,000,000 any time prior to a production decision being made. A portion of the claims are subject to a 5% net proceeds royalty.

Solitario Properties (Argentina)

Los Azules (Argentina)

The Company has an NSR on the Los Azules Project of 0.36%. The porphyry copper project is owned and operated by McEwen Mining Inc.

Mariana Property (Argentina)

TNR retains a 1.8% NSR Royalty on the Mariana Lithium property in Argentina. ILC has a right to repurchase 1.0% of the NSR Royalty on the Mariana Lithium property of which 0.9% relates to the Company's NSR interest. The Company would receive $900,000 on the execution of the repurchase. The project is currently being advanced in a joint venture between ILC and Ganfeng Lithium International Co. Ltd.

(Expressed in Canadian Dollars – unaudited)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITEIS

Right-of-use Assets

		Office Lease
Cost:		
At December 31, 2017 and 2018	$	-
Adjustment on initial adoption of IFRS 16 (Note 2)		21,65
At June 30, 2019		21,65
Depreciation:		-
At December 31, 2017 and 2018	$	-
Depreciation		6,49
At June 30, 2019		6,49
Net book value:		
At December 31, 2018	$	-
At June 30, 2019	$	15,15

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease team.

Lease liabilities

		Office Lease
Leas liabilities recognized as at January 1, 2019	$	21,65
Lease payments made		(6,90
Interest exchange adjustment		666
		15,41
Less: current portion		(13,80
At June 30, 2019	$	1,61

(Expressed in Canadian Dollars – unaudited)

7. LOAN PAYABLE

During the period ended June 30, 2019, the Company restructured its loan payable. The terms of the amendment deferred the maturity date to January 31, 2022 and the Company committed to make a partial payment of $300,000 (paid) by March 15, 2019. The loan balance as at the date of restructuring totalled $5,640,193 representing the loan principal and accrued and unpaid interest.

No other terms were revised and are as follows:

The Company granted the following financing benefits to the lender ("Lender"):

a) A 0.04% NSR on the Los Azules copper project in Argentina (Note 5).
b) A 0.2% NSR on the Mariana property in Argentina (Note 5).
c) 10% equity interest in the shares of Bristol Exploration Co., Inc. that holds the Shotgun property (Note 5).

The loan accrues interest at a rate of 10% per annum.

The loan and accrued interest are secured by a promissory note and general security agreement. The Company is permitted to, without the Lender's consent, sell assets having a value up to $500,000 per calendar year, to enable the Company to maintain its operations and keep its mineral exploration assets in good standing. Any sale of assets having a value in excess of $500,000 of combined value within one calendar year requires the Lender's consent. Any sale, in whole or in part, of the Company's NSR on the Los Azules Project, NSR on the Mariana Property and/or the Shotgun Property requires the Lender's consent.

For accounting purposes, the restructuring was treated as an extinguishment and re-issuance as there were modifications to the existing terms. The effective interest rate is 20% which is similar to comparable borrowing arrangements in the marketplace and arrangements previously achieved by the Company. The financing benefits have been valued at $1,461,208 and recorded through the statement of loss and comprehensive income (loss) as a discount on loan payable. The discount represents a recovery on assets which have been previously reduced to a $Nil carrying value on the statement of financial position.

Balance of carrying value for the loan payable is as follows:

		Loan Payable
Balance, December 31, 2017	$	4,669,653
Interest expense		933,931
Balance, December 31, 2018	$	5,603,584
Interest expense		393,078
Retirement of loan payable		(5,640,193)
Reissuance of loan payable		4,178,985
Loan and interest repayment		(300,000)
Balance, June 30, 2019	$	4,235,454

(Expressed in Canadian Dollars – unaudited)

8. SHARE CAPITAL

Authorized:

Unlimited common shares without par value

Unlimited class "A" non-voting convertible redeemable shares without par value.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding and exercisable, June 30, 2019 and December 31, 2018, 2017 and 2016	7,200,0	$ 0.05

At June 30, 2019, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
7,200,000	$ 0.05	November 17, 2022

Stock options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each stock option is based on the market price of the Company's stock on the closing trading price preceding the date of grant. The stock options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

(Expressed in Canadian Dollars – unaudited)

8. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	11,950,0	$ 0.08
Granted	12,200,0	0.05
Cancelled	(8,950,00	0.07
Balance outstanding and exercisable, December 31, 2017	15,200,0	0.05
Granted	2,100,0	0.05
Cancelled	(3,550,00	0.05
Balance outstanding and exercisable, June 30, 2019 and December 31, 2018	13,750,0	$ 0.05

As at June 30, 2019, the following stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
2,550,000	$ 0.06	July 20, 2021
1,150,000	0.05	October 12, 2021
5,900,000	0.05	August 15, 2022
2,050,000	0.055	December 7, 2022
2,000,000	0.05	September 26, 2023
100,000	0.05	December 18, 2023
13,750,00		

Share-based payments

Total share-based payment expense recognized in profit or loss for the period ended June 30, 2019 was $1,603 relating to vesting of stock options granted in previous periods.

During the year ended December 31, 2017, the Company granted 3,000,000, 6,700,000 and 2,500,000 stock options to directors, officers and consultants of the Company at exercise prices of $0.05, $0.05 and $0.055 per common share respectively. The Options are exercisable for a period of 5 years and will vest and be exercisable one year from the date of grant. The fair value per option calculated using the Black-Scholes option-pricing model was $0.04, $0.05 and $0.05. Total share-based payment expense recognized in profit or loss for the period ended June 30, 2018 was $211,878.

(Expressed in Canadian Dollars – unaudited)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel consists of directors, officers and companies controlled by them.

Management Compensation and other related party transactions

During the period ended June 30, 2019 and 2018, the Company entered into transactions with key management personnel as follows:

Transaction	Relationship		2019		2018
Administration fees	Officer of a subsidiary	$	12,066	$	(8,834)
Consulting fees	A company controlled by a former officer		43,900		18,000
Consulting fees	Officer		6,000		-
Consulting fees	Director		18,000		6,000
Directors' fees	Directors and former director of the Company		84,000		12,500
IT services	A company controlled by a former director		-		12,535
Management fees	Director and executive officer		60,000		18,000
Share-based payments	Directors and officers		-		152,559
		$	223,966	$	210,760

Accounts payable and accrued liabilities include amounts due to directors, officers and former directors and officers and a company related by common directors and officer of the Company at June 30, 2019 of $Nil (December 31, 2018 - $80,883). With the exception of the short-term promissory note described below, all amounts are non-interest bearing and have no formal terms of repayment.

Included in accounts payable and accrued liabilities as at June 30, 2019 and December 31, 2018 is a short-term promissory note payable to a director of the Company's subsidiary. The promissory note has a principal balance of US$25,000 which accrues interest at a rate of 12% per annum. The promissory note was granted with respect to the termination of a formal compensation arrangement with the Director.

Commitments - Consulting agreements

The Company entered into consulting agreements with two officers of the Company for the provision of consulting services at a current cost of $72,000 and $180,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If either of the agreements are terminated without cause, the Company is required to pay a lump sum equal to the greater of (a) one months' fees for each year the consultant has acted on behalf of the Company and (b) twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to three times the prior twelve months gross pay.

During the period ended June 30, 2019, the Company's consulting agreement at a current cost of $72,000 with an officer was terminated due to their resignation and included in their consulting fees was a settlement fee of $36,000.

Commitments - Bonus

In the event the Company completes the sale of its subsidiary Compania Minera Solitario de Argentina S.A. ("Solitario") or its NSR Royalty on the Los Azules Project, a bonus of up to US$200,000 is payable to a Director of Solitario. The bonus is calculated as 0.5% of net proceeds received by the Company in the aforementioned transaction.

10. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' deficiency. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements other than as disclosed in Note 7. The Company does not have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business over the long term and will need to raise adequate capital by obtaining equity financing, selling assets and/or incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, receivables, and accounts payable approximates fair value due to the short-term nature of the financial instruments. Cash and marketable securities are classified as fair value through profit or loss and measured at fair value using level 1 inputs. The carrying value of the convertible debenture receivable is classified through profit or loss and measured at fair value using level 2.

Lease liability is measured at amortized cost. Fair value of long-term debt is estimated using discounted cash flow analysis based on the borrowing rate for similar borrowing arrangements.

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Financial instruments (cont'd…)

Risk management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include, credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables mainly consist of interest receivable.

Currency risk

The Company's operations are in Argentina, Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars, and its liabilities are denominated primarily in Canadian dollars, or US dollars. Consequently, the Company's exploration programs in the US are subject to currency fluctuations. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk.

The Company has debt instruments and is therefore exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Risk management (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, short-term debt and the optioning of its mineral properties to other mining entities to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The loan matures January 31, 2019 and subsequent to the year ended December 31, 2018 the loan has been extended to January 31, 2022. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity. The loan is secured by a promissory note and general security agreement.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, the completion of other equity financings and or optioning its mineral property to other mining entities. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, its success in bringing royalty agreements to fruition, and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

The Company may benefit from royalty arrangements once certain major copper and lithium projects come to production. These projects have not yet reached development. There is a risk that planned projects could be delayed or not yield as much as expected, and if so this will affect the Company's anticipated cash flows, requiring the shortfall to be financed. In addition, the Company has the ability to sell assets of up to $500,000 without consultation with its lender of the loan payable. The Company will consider divesting of shares in ILC to provide financial resources.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities amounting to $68,366 are subject to fair value fluctuations. As at June 30, 2019, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, loss and comprehensive loss for the period would have been approximately $6,800 higher/lower.