Southern Arc
MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

(Expressed in Canadian dollars)

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Southern Arc Minerals Inc.

We have audited the accompanying consolidated financial statements of Southern Arc Minerals Inc., which comprise the consolidated statement of financial position as at June 30, 2018 and June 30, 2017, the consolidated statements of net loss, comprehensive income (loss), cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit sin accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Southern Arc Minerals Inc. as at June 30, 2018 and June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company has no current sources of revenue and a history of losses. These conditions, 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.

KPMG LLP (Signed)

Chartered Professional Accountants

October 26, 2018
Vancouver, Canada

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		**June 30, 2018**		June 30, 2017
Assets				
Current				
Cash	$	573,385	$	11,763,403
Short-term deposits		600,000		550,000
Receivables		74,015		153,998
Loan receivable (Note 5)		14,932		-
Prepaid expenses and other deposits		99,799		175,396
Investments (Note 4)		3,750,400		-
		5,112,531		12,642,797
Investments (Note 4)		678,012		314,342
Investment in associate (Note 5)		1,356,402		1,496,812
Deposits		15,785		-
Exploration and evaluation assets (Note 7)		4,076,676		103,263
Property and equipment (Note 8)		694,430		160,573
Total assets	**$**	**11,933,836**	**$**	**14,717,787**
Liabilities				
Current				
Accounts payable and accrued liabilities	$	509,334	$	450,434
Other long-term liabilities		-		229,695
Total liabilities		509,334		680,129
Shareholders' equity				
Capital stock (Note 9)		75,437,533		75,842,885
Treasury stock (Note 9)		(1,170,000)		(1,170,000)
Equity reserve (Note 9)		13,926,387		13,926,387
Accumulated other comprehensive income		(614,429)		863
Deficit		(77,475,077)		(73,395,553)
Equity attributable to shareholders		10,104,414		15,204,582
Non-controlling interest		1,320,088		(1,166,924)
Total shareholders' equity		11,424,502		14,037,658
Total liabilities and shareholders' equity	**$**	**11,933,836**	**$**	**14,717,787**

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

Approved by the Board of Directors and authorized for issuance on October 26, 2018:

On behalf of the Board of Directors

"John Proust" Director *"Morris Klid"* Director

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF NET LOSS
(Expressed in Canadian dollars)

		June 30, 2018		June 30, 2017
Expenses				
Depreciation	$	30,749	$	23,169
Consulting		1,623,931		1,670,398
Office and miscellaneous		465,932		513,255
Share-based compensation (Note 9)		-		1,749,041
Management fees (Note 10)		1,026,000		758,000
Exploration expenses (Note 7)		244,145		260,283
Foreign exchange loss		328,666		(23,729)
Investor relations		343,631		627,007
Professional fees		282,342		355,292
Rent		245,071		74,378
Salaries and benefits		59,483		184,586
Transfer agent and filing fees		93,230		130,691
Travel		393,085		772,281
Loss before other items		**(5,136,265)**		**(7,094,652)**
Other income (expense)				
Interest and other income		44,711		152,227
Realized and unrealized gains on investments (Note 4)		1,160,243		7,004,235
Equity loss from investment in associate (Note 5)		(1,219,968)		(578,845)
Gain on dilution of investment in associate (Note 5)		731,368		-
Gain on sale of subsidiary (Note 7)		434,592		-
		1,150,946		6,577,617
Net loss before income taxes	**$**	**(3,985,319)**	**$**	**(517,035)**
Income tax expense		-		(274,205)
Net loss for the year	**$**	**(3,985,319)**	**$**	**(791,240)**
Net income (loss) attributable to:				
Shareholders of Southern Arc Minerals Inc.	$	(2,056,143)	$	2,368,093
Non-controlling interests		(1,929,176)		(3,159,333)
	$	**(3,985,319)**	**$**	**(791,240)**
Basic income (loss) per share	$	(0.14)	$	0.16
Diluted income (loss) per share	$	(0.14)	$	0.12
Weighted average shares outstanding		14,687,080		15,040,213
Diluted weighted average shares outstanding		14,687,080		19,995,880

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)

	June 30, 2018	June 30, 2017
Net loss for the year	$ (3,985,319)	$ (791,240)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit/loss:		
Change in fair value of available-for-sale investments	(1,198,801)	4,448,262
Gain on available-for-sale investments classified to net loss	(982)	(6,557,531)
Cumulative foreign currency translation adjustment	584,491	-
Net income tax expense (recovery) related to available for sale investments	-	274,205
	(615,292)	(1,835,064)
Total comprehensive loss for the year	**$ (4,600,611)**	**$ (2,626,304)**
Comprehensive income (loss) attributable to:		
Shareholders of Southern Arc Minerals Inc.	$ (2,422,724)	$ 533,029
Non-controlling interests	(2,177,887)	(3,159,333)
	$ (4,600,611)	**$ (2,626,304)**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended	June 30, 2018	June 30, 2017
Cash flows from operating activities		
Net loss for the year	$ (3,985,319)	$ (791,240)
Items not affecting cash:		
Depreciation	30,749	23,169
Share-based compensation	-	1,749,041
Income tax recovery	-	274,205
Exploration expense	-	260,283
Equity loss from investment in associate (Note 5)	1,219,968	578,845
Realized and unrealized gain on investments (Note 4)	(1,160,243)	(7,004,235)
Gain on sale of subsidiary (Note 7)	(434,592)	-
Gain on dilution of equity investment (Note 5)	(731,368)	-
Foreign exchange loss	261,475	932
Interest income	(14,932)	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	139,792	251,588
Accounts payable, accrued liabilities and other long-term liabilities	107,536	311,283
Net cash used in operating activities	(4,566,934)	(4,346,129)
Cash flows from investing activities		
Proceeds from sale of investments, net (Note 4)	3,647,400	13,813,237
Investment in associate	-	(2,075,657)
Loan receivable (Note 5)	(400,000)	
Cash used to acquire investments (Note 4)	(7,749,073)	(1,697,700)
Redemption of short-term investment	4,500,000	5,780,000
Purchase of short-term investment	(4,550,000)	-
Investment in exploration property	-	(260,283)
Cash received on acquisition of subsidiary	-	541,484
Proceeds from sale of subsidiary (Note 7)	2,549,073	-
Property and equipment	(843,083)	(122,135)
Exploration and evaluation assets	(3,372,049)	(103,263)
Net cash (used in) from investing activities	(6,217,732)	15,875,683
Cash flows from financing activities		
Cash received from warrants and options exercised, net	-	50,403
Cash used to repurchase common shares	(405,352)	(89,740)
Net cash used in financing activities	(405,352)	(39,337)
Change in cash during the year	**(11,190,018)**	**11,490,217**
Cash, beginning of the year	11,763,403	273,186
Cash, end of the year	**$ 573,385**	**$ 11,763,403**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Attributable to shareholders of Southern Arc Minerals Inc.							
	Capital Stock	Treasury Stock	Equity Reserve	Accumulated Other Comprehensive Loss	Deficit	Total	Non-controlling Interest	Total Equity
Balance, June 30, 2016	**$ 75,882,222**	**$ (1,170,000)**	**$ 12,177,346**	**$ 1,835,927**	**$ (78,936,444)**	**$ 9,789,051**	**$ (2,348,102)**	**$ 7,440,949**
Net loss for the year	-	-	-	-	2,368,093	2,368,093	(3,159,333)	(791,240)
Common shares repurchase	(89,740)					(89,740)	-	(89,740)
Share issued for options and warrant exercised	50,403	-	-	-	-	50,403	-	50,403
Share-based compensation	-	-	1,749,041	-	-	1,749,041	-	1,749,041
Other comprehensive income	-	-	-	(1,835,064)	-	(1,835,064)	-	(1,835,064)
Reduction in investment in subsidiary	-	-	-	-	3,172,798	3,172,798	4,340,511	7,513,309
Balance, June 30, 2017	**$ 75,842,885**	**$ (1,170,000)**	**$ 13,926,387**	**$ 863**	**$ (73,395,553)**	**$ 15,204,582**	**$ (1,166,924)**	**$ 14,037,658**
Net income (loss) for the year	-	-	-	-	(2,056,143)	(2,056,143)	(1,929,176)	(3,985,319)
Reduction in non-controlling interest (Note 7)	-	-	-	-	-	-	2,392,807	2,392,807
Change in non-controlling interest (Note 3)	-	-	-	-	(2,023,381)	(2,023,381)	2,023,381	-
Common shares repurchased (Note 9)	(405,352)	-	-	-	-	(405,352)	-	(405,352)
Other comprehensive loss	-	-	-	(615,292)	-	(615,292)	-	(615,292)
Balance, June 30, 2018	**$ 75,437,533**	**$ (1,170,000)**	**$ 13,926,387**	**$ (614,429)**	**$ (77,475,077)**	**$ 10,104,414**	**$ 1,320,088**	**$ 11,424,502**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Southern Arc Minerals Inc. ("Southern Arc" or "the Company") was incorporated in British Columbia, Canada on August 19, 2004. The Company is a Canadian company focused on creating value through project generation and strategic investments in mineral resource companies with a focus on gold and copper-gold. The Company's head office is located at Suite 650 - 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

These consolidated interim financial statements (which includes the consolidation of Japan Gold Corp. (Note 3)) have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the process of evaluating its exploration properties and has not yet determined whether the properties contain reserves that are economically recoverable. The Company does not currently generate any revenues or have operations that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its exploration activities and general and administrative costs. Based on current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its planned activities for the twelve months from the date of approval of the consolidated financial statements. As a result, the Company will require cash injections by way of selling its investments or obtaining additional financing in order to fund exploration activities and required general and administrative expenses. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are presented on a historical cost basis, except for financial instruments classified as available-for-sale or fair value through profit or loss.

These consolidated financial statements were approved for issuance by the Company's Board of Directors on October 26, 2018.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and:

i) its wholly-owned Canadian subsidiary West Indonesia Mining Holdings Inc.;
ii) its wholly-owned Singapore subsidiary: Southern Sunda Mining Pte. Ltd. and;
iii) its 53.06%-owned Japan subsidiary Japan Gold Corp. and its wholly owned subsidiary Southern Arc Minerals Japan KK

Significant intercompany balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future conditions and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

Critical accounting estimates

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

i) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices related to the issuance of share options. These estimates impact share-based compensation expense and share-based payment reserve.

ii) The determination of fair value of investments in non-tradable warrants, which are derivative instruments, requires assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact mark to market gains and losses recognized in profit or loss.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

i) The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained in the near term. See Note 1.

ii) The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which the subsidiary operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

iii) The Company's assessment of the economic recoverability and probability of future economic benefits of exploration and evaluation costs capitalized, subject to impairment analysis.

iv) The classification of the Company's investments as an investment in associate or investment held as available for sale is determined by reviewing whether the Company has significant influence based on the percentage of holdings and other qualitative factors. The Company's investments held as available for sale and investment in associate is subject to evaluation of significant and prolonged declines in value. The Company considers an investment to be impaired if there is a decline of 20% or more of an investment's quoted market price that persists for period of nine months or more.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Vehicles, furniture, computers, and field equipment are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets currently estimated to be four years.

Depreciation of vehicles, computers and field equipment are allocated to exploration properties when equipment is used in exploration activities.

Property consists of land and building. Land is carried at cost and building is carried at cost, less accumulated amortization. Amortization on building is calculated using the straight-line method over 5 years.

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Exploration properties

Exploration properties

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation, in addition to acquisition costs, are recognized and capitalized by geographical area. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur.

If economically recoverable ore reserves are developed, capitalized costs of the related property are tested for impairment and then reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment at the reporting date and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Title and permits to exploration properties involve certain inherent risks due to the difficulties of determining the validity of certain exploration property interests as well as the potential for problems arising from the frequently ambiguous conveying characteristics of many exploration properties. The Company has investigated title to all of its exploration property interests and, to the best of its knowledge, title to all of its exploration property interests are in good standing. The Company is in various stages of applying for permits for ongoing exploration activities related to the exploration properties.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and re-vegetation of the affected exploration sites.

A rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When a liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration properties (continued)

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have material rehabilitation requirements as at June 30, 2018 and June 30 2017.

Foreign currency transactions

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar except for Southern Arc Minerals Japan KK whose functional currency is the Japanese Yen. Transactions in currencies other than the functional currency of an entity are recorded at the exchange rates prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

The assets and liabilities for entities whose functional currency is other than the Canadian dollar are translated at the exchange rate in effect on the balance sheet date and revenues and expenses are translated at the exchange rates prevailing on dates of transactions. Exchange gains and losses resulting from such translation are included in a separate component of shareholders' equity.

Income (Loss) per share

The Company presents basic per share data for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

Employee benefits

Short term employee benefits are expensed as the related services are performed.

Other long term liabilities includes the Company's statutory obligations to provide certain post-employment benefits in Indonesia. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Net obligations in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for services in the current and prior periods discounted to its present value. Re-measurement of these obligations is recognized in profit or loss.

Share-based payment transactions

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial instruments

On initial recognition, all financial assets and financial liabilities, including derivatives, are recorded at fair value. All transactions related to financial instruments are recorded on a trade date basis. The directly attributable transaction costs of financial assets and liabilities are included in the carrying value of financial assets and liabilities except transaction costs related to financial assets and liabilities recorded at fair value through profit or loss which are expensed in the period they are incurred. Subsequently, derivatives are measured at fair value and changes in fair value are recognized in profit of loss. For other financial assets and liabilities, subsequent measurement is as follows:

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. Other than investments in warrants of Tethyan Resources Plc and Rise Gold Corp., the Company does not have any assets classified as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash, receivables and loans receivable are classified as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company has classified its short term investments and investment in common shares of Osisko, PT Ancora Indonesia Resources, Tbk and Rise Gold Corp. as available-for-sale.

All financial assets except for those recognized at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company has not classified any financial liabilities as fair value through profit or loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest method of amortization.

Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally when the Company's shareholding is between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss. Subsequently, if there is objective evidence that the circumstances that led to the impairment have reversed, an impairment charge may be reversed but only to an amount equal to the original cost of the investment less the Company's share of accumulated losses.

Profits and losses resulting from upstream and downstream transactions between the Company and its associates are recognised in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

New accounting standards and pronouncements

The following is an overview of accounting standard change that the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, de-recognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is July 1, 2018. Other than changes to the classification of financial instruments to confirm to classifications of IFRS 9 and additional disclosures, the Company does not expect any material impacts on the financial statements on adoption of IFRS 9.

- IFRS 15 - Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be effective for the Company on July 1, 2018. As the Company does not currently earn revenues, adoption of this standard will not have any impact on the consolidated financial statements.

- IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for the Company on July 1, 2019. The Company does not expect that adoption of this standard will have a material impact on the consolidated financial statements.

3. ACQUISITION AND REORGANIZATION

Japan Gold Corp.

On September 15, 2016, the Company's then wholly owned subsidiary, Southern Arc Minerals Japan KK ("SAMJ"), combined with Sky Ridge Resources ("Sky Ridge"), a publically listed entity ("the Acquisition"). Upon completion of the Acquisition and a concurrent $7 million financing, Sky Ridge consolidated its shares on a one-for-two basis and changed its name to Japan Gold Corp. ("Japan Gold"). In exchange for the Company's interest in SAMJ, Southern Arc received 23,750,000 post-consolidation common shares of Japan Gold, representing approximately 42.9% of the issued and outstanding shares of Japan Gold on an undiluted basis. The securities acquired by Southern Arc pursuant to the Acquisition are subject to an Escrow Agreement with 10% of the shares released from escrow on September 16, 2016 and 15% of the shares to be released at each of six month increments over a 36 month period from the date of the Acquisition. Japan Gold is a mineral exploration company which focuses on the acquisition and exploration of resources properties in northern Hokkaido and northern Honshu, Japan. Prior to this transaction, Japan Gold had net assets of $975,498 comprised almost entirely of cash and short term investments.

The fair value of the shares of Japan Gold received by the Company was $9,500,000 based on the quoted market price of Japan Gold on the acquisition date. The Company determined that it controlled Japan Gold at the time of the Acquisition because of common key management personnel, board representation and the large block of shares the Company owns relative to the other shareholders of Japan Gold. The Company controlled SAMJ before the transaction and continues to control Japan Gold and SAMJ subsequent to the transaction. Accordingly, the transaction has been accounted for as a sale of a partial interest in the assets of SAMJ to the non-controlling shareholders of Japan Gold in exchange for the Company's 42.9% interest in Japan Gold's existing assets of $7,546,236 which includes $7,000,000 raised in connection with the issuance of common shares by Japan Gold. The acquisition of 42.9% of the issued and outstanding common shares of Japan Gold constituted an asset acquisition as Japan Gold did not meet the definition of a business as defined in IFRS 3, Business Combinations. The transaction resulted in the recognition of non-controlling interest of $4,340,511and a gain on the transaction of $3,172,798 was recognized directly in equity.

On August 9, 2017, the Company completed a financing with Japan Gold where it acquired 12,500,000 units of Japan Gold at a price of $0.40 for total cost of $5,000,000. Each unit consists of one common share and one transferable common share purchase warrant of Japan Gold. Each warrant is exercisable into one additional common share of Japan Gold at a price of $0.40 per share for a period of 5 years. The Company now owns 53.06% of Japan Gold's issued and outstanding common shares as at June 30, 2018. As the Company controls Japan Gold before and after the transaction, the impact of the additional investment was accounted for as an equity transaction and resulted in an increase in non-controlling interest of $1,971,421 and a corresponding increase in deficit.

As at June 30, 2018, Japan Gold's net assets consisted primarily of cash and cash equivalents of $213,385, short-term deposits of $600,000, other current assets of $96,287, property, plant and equipment of $659,834, exploration and evaluation assets of $4,076,676 and current liabilities of $455,719. Japan Gold had no revenues for the period from July 1, 2017 to June 30, 2018 and net loss of Japan Gold for this period was $4,016,530 excluding certain inter-company eliminations.

On June 30, 2018, the fair value of the 36,250,000 shares of Japan Gold owned by the Company is $5,437,500 based on the then quoted market price of $0.15 per share.

(Expressed in Canadian dollars)

4. INVESTMENTS

a) Rise Gold Corp.

On April 18, 2018, the Company participated in a non-brokered private placement of Rise Gold Corp. ("Rise Gold"), a company listed on the Canadian Securities Exchange. The Company purchased 20,000,000 units of Rise Gold at a price of $0.10 per unit for $2,000,000. Each unit consists of one share of common stock and one share purchase warrant. Each warrant is exercisable into one share at a price of $0.15 per share for a period of 36 months from the date of issuance. The Company recognized a gain of $1,453,301 on initial recognition of the common shares and warrants as their fair value exceeded the cost to acquire these securities.

The Company has classified its investment in Rise Gold common shares as financial assets that are available-for-sale with changes in fair value recorded in other comprehensive income (loss). The Rise Gold warrants are classified as derivatives and are recognized at their fair value with changes in fair value included in profit or loss.

The Company recorded an unrealized loss of $600,000 in accumulated other comprehensive income (loss) for the year ended June 30, 2018 relating to the investment in common shares of Rise Gold. In addition, during the year ended June 30, 2018, the Company recorded an unrealized loss on Rise Gold warrants of $427,099 in net loss. As at June 30, 2018, the Company owned approximately 17.23% of Rise Gold.

b) PT Ancora Indonesia Resources, Tbk.

On December 12, 2017, the Company acquired 100 million shares of PT Ancora Indonesia Resources, Tbk ("PT Ancora"), representing 5.66% of PT Ancora's issued and outstanding, at a cost of (US$2,000,000 or $2,549,200) from third parties in a private transaction. PT Ancora is an Indonesian company listed on the Indonesia Stock Exchange (OKAS:IJ). The Company has classified its investment in PT Ancora as a financial assets that are available-for-sale with changes in fair value recorded in other comprehensive income (loss). As at June 30, 2018, these shares had a fair market value of $1,950,400 based on the then quoted market prices of these shares resulting in the recognition of an unrealized loss of $598,801 in other comprehensive income (loss).

c) Osisko Mining Inc.

The Company classified its investment in Osisko shares as financial assets that are available-for-sale with changes in fair value recorded in other comprehensive income. The Osisko warrants are derivatives and are recognized at their fair value with changes in fair value included in profit or loss. As at June 30, 2018 and June 30, 2017, the Company's investment in common shares and warrants of Osisko Mining Inc. ("Osisko") is as follows:

	Number of securities	Fair market value
Osisko common shares	-	$ -
Osisko tradeable warrants	-	-
Osisko non-tradeable warrants	-	-
Balance, June 30, 2018		**$ -**

	Number of securities	Fair market value
Osisko common shares	9,825	$ 40,283
Osisko tradeable warrants	60,000	4,200
Osisko non-tradeable warrants	800,000	269,859
Balance, June 30, 2017		**$ 314,342**

During the year ended June 30, 2018, the Company exercised 800,000 non-tradable Osisko warrants to acquire 800,000 Osisko Common shares for total cost of $3,200,000. During the year ended June 30, 2018, the Company sold 809,825 shares in Osisko and 60,000 tradable Osisko Warrants for net proceeds of $3,647,400 resulting in a net gain of $133,537.

(Expressed in Canadian dollars)

4. AVAILABLE FOR SALE INVESTMENTS (continued)

During the year ended June 30, 2017, the Company exercised 100,000 tradable Osisko warrants to acquire 5,000 Osisko common shares for total cost of $15,000. The Company also exercised 420,675 non-tradable Osisko warrants to acquire 420,675 Osisko Common shares for total cost of $1,682,700. During the year ended June 30, 2017, the Company sold 2,915,850 shares in Osisko for net proceeds of $11,766,290 resulting in a gain of $6,557,531. The Company also sold 24,822,000 Osisko warrants for net proceeds of $2,046,947.

5. INVESTMENT IN ASSOCIATE

As at June 30, 2018, the Company holds a total of 9,983,068 common shares of Tethyan Resources Plc ("Tethyan"), which represents 22.53% (June 30, 2017: 29.9%) of Tethyan's issued and outstanding shares. Tethyan is a TSX Venture quoted junior exploration company with a focus on exploring for copper and gold within the Western Tethyan Orogenic Belt in Serbia.

During the year ended June 30, 2018, the Company's interest in Tethyan decreased to 22.53% from 29.9% as a result of dilution related to equity financings that were undertaken by Tethyan in which the Company did not participate. As a result, the Company recognized a gain on dilution on its equity investment in Tethyan of $731,368.

Investment in Tethyan is accounted for as an equity investment by the Company and is subject to evaluation of significant and prolonged declines in value. The fair value of the Company's investment in Tethyan as at June 30, 2018 is $1,896,783 based on the publicly traded closing share price of $0.19 per share, which is greater than its carrying value.

During the year ended June 30, 2018, the Company advanced $400,000 to Tethyan which earned interest at LIBOR plus 4% per annum. On June 29, 2018, the Company converted the $400,000 that was advanced to Tethyan into 1,600,000 units of Tethyan. Each unit is comprised of one ordinary share and one-half of one share purchase warrant of Tethyan. Each whole warrant is exercisable into one ordinary share of Tethyan at an exercise price of C$0.35 per share for a period of three years. The Company valued the warrants at $51,810 and classified these as derivatives and $348,190 was allocated to the shares acquired on conversion of the loan receivable.

A continuity of the Company's interest is as follows:

		June 30, 2018
Balance - July 1, 2016	$	-
Acquisition of investment		2,075,657
Share of net loss for the year		(578,845)
Balance - June 30, 2017	$	1,496,812
Conversion of loan receivable		348,190
Gain on dilution of equity investment		731,368
Share of net loss for the year		(1,219,968)
Balance - June 30, 2018 (quoted market value - $1,896,783)	$	1,356,402

As at June 30, 2018, $14,932 of interest remains in loan receivable in connection with the $400,000 advance.

(Expressed in Canadian dollars)

6. SUPPLEMENTAL INFORMATION

For the purposes of providing additional information regarding the net assets and working capital available to Southern Arc, below is a summary of the non-consolidated standalone net assets of Southern Arc Minerals Inc. as at June 30, 2018. For purposes of this supplementary information, the Company has reflected its investment in common shares and warrants of Japan Gold and Tethyan Resources Plc (note 5) at their fair value at the June 30, 2018.

		Southern Arc
Cash	$	360,000
Receivables		44,656
Loan receivable		14,932
Prepaid expense and other deposits		48,656
Investment in PT Ancora Indonesia Resources Tbk. (Note 4b)		1,950,400
Investment in Rise Gold Corp (Note 4a)		1,800,000
Investment in Rise Gold Corp. warrants (Note 4a)		626,202
Investment in Tethyan Resources Plc shares (at quoted market price)		1,896,783
Investment in Tethyan Resources Plc. warrants (at fair value)		51,810
Investment in Japan Gold Corp. shares (at quoted market price)		5,437,500
Investment in Japan Gold Corp warrants (at fair value)		650,676
Total assets	**$**	**12,881,615**
Total liabilities	**$**	**(53,615)**
Net assets	**$**	**12,828,000**

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

Japan Gold Corp.

As at June 30, 2018, the Company's subsidiary Japan Gold owned 32 prospecting rights related to its interests in Japan. These prospecting rights provide the Company with the right to explore the areas of interest covered by these rights. Japan Gold's project portfolio also consists of 178 prospecting license applications for a combined area of 69,905 hectares over 17 separate projects on the three main islands of Japan.

	Ikutahara project	Eboshi project	Total
Opening, July 1, 2016	$ -	$ -	$ -
Consulting	62,373	-	62,373
Travel	13,733	9,855	23,588
Other	10,004	10,156	20,160
Foreign currency translation adjustment	(2,307)	(552)	(2,859)
Balance, June 30, 2017	**$ 83,803**	**$ 19,459**	**$ 103,262**
Consulting	1,178,255	45,727	1,223,982
Supply stock and material	866,314	-	866,314
Depreciation	335,922	-	335,922
Drilling	617,357	-	617,357
Geochemistry	40,761	8,331	49,092
Geophysics	7,947	1,449	9,396
Insurance	13,088	-	13,088
Travel	161,453	3,562	165,015
Field supplies	414,059	13,747	427,806
Foreign currency translation adjustment	251,661	13,781	265,442
Balance, June 30, 2018	**$ 3,970,620**	**$ 106,056**	**$ 4,076,676**

West Lombok property

The Company, through a 90%-owned subsidiary, holds the exploration permit for the West Lombok property located on Lombok Island, Indonesia. During the year ended June 30, 2013, the Company conducted a review of the value of its West Lombok property and determined that its value had been impaired. As a result, the Company wrote off the carrying value. During the year ended June 30, 2018, the Company incurred an additional $65,576 (June 30, 2017: $242,305) of exploration costs relating to the West Lombok property.

On December 12, 2017, the Company completed the sale of the West Lombok Property to PT Ancora in consideration for a cash payment of US$2,000,000 ($2,549,200) and a granting of a 3% Net Smelter Return royalty. PT Ancora acquired all of the issued and outstanding shares of the Company's Singaporean subsidiary Indotan Lombok Pte Ltd ("IL"). IL owns 90% of PT Indotan Lombok Barat Bangkit, an Indonesian company, which holds the IUP. Under the terms of the agreement, PT Ancora has the right to buy back the NSR from the Company at any time by paying an additional US$2,000,000 million.

The Company recognized a gain of $434,592 as a result of the PT Ancora transaction as follows:

Consideration received (US$2,000,000)	$	2,549,200
Cash		8,245
Current liabilities		(33,152)
Long-term liabilities		(253,292)
Non-controlling interest		2,392,807
Gain on investment	$	434,592

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

Cost		**Equipment**		**Office furniture**		**Leasehold Improvements**		**Land and buildings**		**Total**
At June 30, 2016	$	-	$	-	$	-	$	-	$	-
Acquired as part of Japan Gold Acquisition		-		-		-		61,607		61,607
Purchases		-		26,716		16,461		78,958		122,135
At June 30, 2017	$	-	$	26,716	$	16,461	$	140,565	$	183,742
Purchases		798,775		3,506		13,199		27,603		843,083
Foreign currency translation adjustment		43,345		-		-		14,100		57,445
At June 30, 2018	$	842,120	$	30,222	$	29,660	$	182,268	$	1,084,270
Accumulated depreciation										
At June 30, 2016	$	-	$	-	$	-	$	-	$	-
Depreciation		-		1,669		2,058		19,442		23,169
At June 30, 2017	$	-	$	1,669	$	2,058	$	19,442	$	23,169
Depreciation capitalized in exploration and evaluation assets		301,737		-		-		34,185		335,922
Depreciation expenses		-		6,728		14,829		9,192		30,749
At June 30, 2018	$	301,737	$	8,397	$	16,887	$	62,819	$	389,840
Total carrying value, June 30, 2017	**$**	**-**	**$**	**25,047**	**$**	**14,403**	**$**	**121,123**	**$**	**160,573**
Total carrying value, June 30, 2018	**$**	**540,383**	**$**	**21,825**	**$**	**12,773**	**$**	**119,449**	**$**	**694,430**

During the year ended June 30, 2018, the Company's subsidiary, Japan Gold, purchased from PT. Promincon Indonesia ("PMC") three compact portable diamond core drill rigs, other equipment and supply stock and material for a total of $US1,224,702 ($1,584,465). Of this amount $866,314 was classified as exploration and evaluation assets and $718,151 was recorded as property, plant and equipment. A director and officer of Japan Gold and the Company has a controlling interest in PMC. The transaction was measured at the exchange amount.

(Expressed in Canadian dollars)

9. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2018, 14,519,616 (June 30, 2017 – 15,104,616) are issued of which 14,389,616 (June 30, 2017 – 14,974,616) are outstanding and 130,000 (June 30, 2017 – 130,000) are in treasury.

On April 19, 2017, the TSX Venture Exchange accepted the Company's Normal Course Issuer Bid to allow the Company to repurchase up to 761,280 of its common shares for a period up to April 23, 2018. During the year ended June 30, 2018, the Company repurchased 585,000 of its own shares for total cost of $405,352 (June 30, 2017 - 141,000 shares repurchased for $89,740). As these shares were cancelled and are no longer outstanding, the cost to repurchase these shares are offset against share capital within shareholders' equity.

Share options

The Company grants share options in accordance with its share option plan and the policies of the TSX Venture Exchange. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's shares on the date of grant. The share options granted are exercisable for a period of up to ten years, as determined by the board of directors at the time of grant. A summary of the Company's outstanding share options granted is presented in the following table.

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2016 (remaining average contractual life is 4.16 years)	959,000	$ 0.32
Exercised	(57,500)	0.32
Expired	(12,500)	0.32
Outstanding at June 30, 2017 and June 30, 2018 (remaining average contractual life is 2.41 years)	889,000	$ 0.32
Number of options exercisable at June 30, 2018	889,000	$ 0.32

(Expressed in Canadian dollars)

9. SHAREHOLDERS' EQUITY (continued)

Share options (continued)

During the year ended June 30, 2017, the Company recorded share-based compensation totaling $1,749,041. Of this amount, $221,456 was a result of the vesting of options previously granted by the Company. The remaining $1,527,585 was a result of the immediate vesting of options granted by the Company's subsidiary, Japan Gold. In calculating the fair value of the Japan Gold stock options, a risk free interest rate of 0.56% and an annualized volatility of 75% were applied. As at June 30, 2018, Japan Gold had 4,999,950 stock options outstanding with an exercise price of $0.40 with expiry dates ranging from September 15, 2026 to October 28, 2026.

Share purchase warrants

As part of a private placement on January 26, 2016, the Company issued 4,166,667 warrants with an exercise price of $0.32 and an expiry date of January 26, 2021. During the period ended September 30, 2017, 100,000 of these warrants were exercised into 100,000 common shares of the Company for $32,000. As at June 30, 2018, 4,066,667 warrants remain outstanding.

10. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	Year ended June 30, 2018	Year ended June 30, 2017
Management fees	$ 966,000	$ 574,000
Share-based compensation	-	1,140,956

In addition to the transaction described in note 8, during the year ended June 30, 2018, the Company and Japan Gold paid $966,000 (June 30, 2017: $574,000) in management fees to a private company controlled by the Chief Executive Officer and Chairman of the Company. Out of this amount, $528,000 relates to management fees incurred by Japan Gold. Management fees include administrative, finance, accounting, investor relations and consulting services.

During the year ended June 30, 2018, the Company's subsidiary, Japan Gold, purchased from PT. Promincon Indonesia ("PMC") three compact portable diamond core drill rigs, other equipment and supply stock and material for a total of $US1,224,702 ($1,584,465). Of this amount $866,314 was classified as exploration and evaluation assets and $718,151 was recorded as property, plant and equipment. A director and officer of Japan Gold and the Company has a controlling interest in PMC. The transaction was measured at the exchange amount.

The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

(Expressed in Canadian dollars)

11. INCOME TAXES

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

		2018		2017
Loss for the year, before income taxes	$	(3,985,319)	$	(517,035)
Expected income tax recovery	$	(1,056,110)	$	(134,429)
Items not deductible (taxable) for income tax purposes		338,289		(265,922)
Effect of change in tax rate		(122,789)		-
Effect of tax rates in other jurisdictions		37,169		5,624
Tax benefits unrecognized		803,441		668,931
Total income taxes	$	-	$	274,204

Deferred income tax assets have not been recognized for the following temporary differences as management does not believe, based on estimated future taxable income that it is probable that the benefit of these temporary differences will be realized:

		2018		2017
Deferred income tax assets:				
Non-capital loss carry forwards	$	25,228,110	$	28,292,599
Capital loss carry forwards		105,211		-
Share issuance costs		3,706		5,559
Cumulative exploration expenses		6,466,850		25,671,786
Property and equipment		199,432		26,278
Long-term investment		6,595,043		6,014,185
		38,598,352		60,010,407

During the years ended June 30, 2018 and 2017, the Company recognized the following income tax assets (liabilities):

		2018		2017
Investments		-		(128)
Capital loss carryforward		-		128
	$	-	$	-

The Company has accumulated losses for deduction against future years' Canadian taxable income, which expire as follows:

2029	$	286,330
2030		166,443
2031		2,757,977
2032		3,893,862
2033		3,205,394
2034		3,411,870
2035		2,210,836
2036		1,650,462
2037		1,936,391
2038		1,683,291
	$	21,202,856

The Company also has $4,025,254 in losses accumulated in Japan, which expire at various dates to 2026. In addition, the Company has $6,466,850 of unclaimed resource expenses for Canadian tax purposes, respectively, that can be carried forward indefinitely and used to reduce taxable income.

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties. The Company's assets and liabilities by geographic areas as at June 30, 2018 and 2017 are as follows:

As at June 30, 2018	Indonesia	Japan	Canada	Total
Current assets	$ -	$ 909,671	$ 4,880,872	$ 5,790,543
Investment in associate	-	-	1,356,402	1,356,402
Property, plant and equipment	-	659,834	34,596	694,430
Deposits	-	15,785	-	15,785
Exploration and evaluation assets	-	4,076,676	-	4,076,676
Total liabilities	-	(455,719)	(53,615)	(509,334)
	$ -	$ 5,206,247	$ 6,218,255	$ 11,424,502

As at June 30, 2017	Indonesia	Japan	Canada	Total
Current assets	$ 6,396	$ 3,952,392	$ 8,684,009	$ 12,642,797
Investments	-	-	314,342	314,342
Investment in associate	-	-	1,496,812	1,496,812
Property, plant and equipment	-	39,450	121,123	160,573
Exploration and evaluation assets	-	103,263	-	103,263
Total liabilities	(296,578)	(321,550)	(62,001)	(680,129)
	$ (290,182)	$ 3,773,555	$ 10,554,285	$ 14,037,658

For the year ended June 30,	2018	2017
Net income for the year – Canada	$ (104,154)	$ 2,478,086
Net loss for the year – Japan	(4,016,530)	(1,344,252)
Net income (loss) for the year – Singapore	-	115,561
Net loss for the year – Indonesia	135,365	(458,155)
Net loss for the year	$ (3,985,319)	$ (791,240)

13. COMMITMENTS

The Company has entered into a lease agreement for office space in Vancouver with annual rent expense of approximately $206,000. The lease expires on February 2019.

14. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, which may have a material effect on cash flows, operations and comprehensive income.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by maintaining its bank accounts at large financial institutions. Accounts receivable consists of amounts receivable from the Canadian federal government for the refundable GST amounts. The Company assesses the collectability and fair value of this receivable at each reporting period. The carrying value of cash, short term deposits and receivables totaling $1,247,400 represents the Company's maximum exposure to credit risk.

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal. The quoted market price of Rise Gold Corp and PT Ancora Indonesia Resources, Tbk shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of PT shares would change the fair value of the shares by approximately $32,524.

Foreign exchange risk - The Company operates in Japan and Indonesia. The Company could accordingly be at risk for foreign currency fluctuations.

At June 30, 2018, the Company had ¥7,664,529 (approximately CDN$91,131) in cash, and ¥23,535,086 (approximately CDN$279,832) in accounts payable and accrued liabilities. As at June 30, 2018, Yen amounts were converted at a rate of ¥0.01189 to CDN$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN$18,870.

Fair value

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

- 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.

The Rise Gold and PT Ancora common shares were recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1. The Rise Gold and Tethyan warrants were recognized at fair value using level 2 inputs. The fair value of the warrants were determined using a Black-Sholes option pricing formula. The carrying value of cash, receivables, loan receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

15. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2018, the Company received US$750,000 from the sale of its Taliwang project in 2014. A provision for impairment for this amount was recognized in a prior year. The Company also disposed of its 5% net smelter royalties in connection with the Taliwang project for an additional US$500,000. In total, the Company received cash proceeds of US$1,250,000.

On October 23, 2018, the Company's subsidiary, Japan Gold entered into a binding letter agreement with First Quantum Minerals Ltd. ("FQML") to explore four of its lithocap projects (collectively, the "Lithocap Projects" and each a "Project") in Japan. FQML has committed to manage and oversee a systematic surface exploration reconnaissance program on each project prior to June 30, 2019. Upon completion of the initial exploration programs, FQML will have the option to enter into a formal earn-in agreement ("Option Agreement") on any Project individually, pursuant to which FQML may earn-in to 51% of a Project by completing a minimum of US$5 million in total exploration expenditures prior to June 30, 2022. For any project that FQML options, it will endeavor to maintain minimum average annual expenditures of US$1 million per year during the initial earn-in period. Upon earning a 51% interest in a Project, FQML would have the right to earn an additional 29% interest in a Project by solely funding the Project until FQML makes a "Decision to Mine", increasing FQML's ownership in a Project to 80%.

On August 29, 2018, the Company entered into a loan agreement with Promincon Pte, a company controlled by a director of the Company, for US$500,000. The loan matures three months after its issue and the Company will pay a one-time fee of 5% of the principal amount. The loan is secured by the shares of Tethyan owned by the Company.