
Aethon Minerals Corporation **(Formerly Watusi Capital Corp.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND MAY 31, 2018

(Expressed in Canadian Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Aethon Minerals Corporation (formerly Watusi Capital Corp.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2019 have not been reviewed by the Company's auditors.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	June 30, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 3,179,457	\$ 4,341,736
Receivables	129,347	194,183
Prepaid expenses	36,438	19,315
Total current assets	3,345,242	4,555,234
Equipment (note 3)	3,752	5,156
Mineral property interest (note 4)	7,005,583	6,644,092
Total Assets	\$ 10,354,577	\$ 11,204,482
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 384,634	\$ 535,660
Shareholders' Equity		
Share capital (note 5(b))	10,547,535	10,547,535
Warrants (notes 5,7 and 8)	3,030,138	3,030,138
Contributed surplus (note 6)	503,733	484,711
Accumulated other comprehensive income	(11,416)	13,559
Deficit	(4,100,047)	(3,407,121)
Total shareholders' equity	9,969,943	10,668,822
Total Liabilities and Equity	\$ 10,354,577	\$ 11,204,482

Nature of operations (note 1)
Commitments (note 13)
Subsequent event (note 14)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2019	May 31, 2018	June 30, 2019	May 31, 2018
Expenses				
Share-based compensation (note 9)	\$ 180	\$ 59,238	\$ 19,022	\$ 59,238
Professional fees	91,352	140,781	152,072	140,860
Consulting fees	5,768	75,257	35,323	170,013
Office administration and facilities	63,368	45,931	127,262	49,905
Depreciation	664	-	1,339	-
Marketing expenses	-	-	13,274	-
Shareholder information, transfer agent, listing and filing	13,388	54,420	19,856	59,432
Conference and travel	34,586	103,635	37,756	103,635
Salaries and benefits	121,319	171,563	255,944	171,563
Director fees	25,000	6,250	50,000	6,250
Investor relations	4,126	5,000	8,797	5,000
Foreign exchange loss	2,505	8,965	14,222	8,965
Operating loss before the following item	(362,256)	(671,040)	(734,867)	(774,861)
Interest income	19,585	-	41,941	-
Net loss for the period	(342,671)	(671,040)	(692,926)	(774,861)
Other comprehensive income:				
Items that will not subsequently be reclassified to net loss:				
Foreign currency translation differences from foreign operations	20,494	5,013	24,975	5,013
Total loss and comprehensive loss for the period	\$ (322,177)	\$ (666,027)	\$ (667,951)	\$ (769,848)
Basic and diluted loss per share	\$ (0.01)	\$ (0.06)	\$ (0.03)	\$ (0.12)
Weighted average number of shares outstanding	27,633,333	11,338,768	27,633,333	6,391,025

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
 (Expressed in Canadian Dollars)
 (Unaudited)

	Share Capital		Subscription Receipts	Warrants	Contributed Surplus	Accumulated Other Comprehensive		Total
	Number	Amount				Income	Deficit	
Balance, November 30, 2017	1,333,333	\$ 701,063	\$ -	\$ -	\$ 64,966	\$ -	\$ (295,213)	\$ 470,816
Subscription receipts issued, net of issuance costs	-	-	7,677,966	-	-	-	-	7,677,966
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(103,821)	(103,821)
Balance, May 31, 2018	1,333,333	\$ 701,063	\$ 7,677,966	\$ -	\$ 64,966	\$ -	\$ (399,034)	\$ 8,044,961
Balance, December 31, 2018	27,633,333	\$ 10,547,535	\$ -	\$ 3,030,138	\$ 484,711	\$ 13,559	\$ (3,407,121)	\$ 10,668,822
Stock-based compensation	-	-	-	-	19,022	-	-	19,022
Net loss and comprehensive loss for the period	-	-	-	-	-	(24,975)	(692,926)	(717,901)
Balance, June 30, 2019	27,633,333	\$ 10,547,535	\$ -	\$ 3,030,138	\$ 503,733	\$ (11,416)	\$ (4,100,047)	\$ 9,969,943

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Six months ended,	June 30, 2019	May 31, 2018
Operating Activities		
Net loss for the	\$ (692,926)	\$ (774,861)
Items not affecting cash:		
Share-based compensation	19,022	59,238
Depreciation	1,339	-
Changes in non-cash operating working capital:		
Prepays and receivables	47,713	(78,738)
Accounts payable and accrued liabilities	(151,026)	630,582
Cash (used in) operating activities	(775,878)	(163,779)
Investing Activities		
Purchase of equipment	-	(3,414)
Mineral property interest	(361,491)	(633,387)
Cash (used in) investing activities	(361,491)	(636,801)
Financing Activities		
Proceeds on issuance of shares, net of issuance costs	-	7,164,610
Cash provided by financing activities	-	7,164,610
Change in cash during the period	(1,137,369)	6,364,030
Impact of foreign exchange rate on cash	(24,910)	5,013
Cash, beginning of the period	4,341,736	477,683
Cash, end of the period	\$ 3,179,457	\$ 6,846,726

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations

Aethon Minerals Corporation (formerly Watusi Capital Corp.) (the “Company”) was incorporated under the Business Corporations Act (Alberta) on October 6, 2011. On May 12, 2016, the Company continued into the province of British Columbia. The Company’s registered office address is Suite 704-595 Howe St., Vancouver, BC. Following completion of the Qualifying Transaction, the Company’s principal place of business was located at Suite 550-220 Bay Street, Toronto, Ontario. Upon completion of the Qualifying Transaction, the Company ceased to be a Capital Pool Company as defined in the TSX Venture Exchange (the “TSXV”) Policy 2.

On January 23, 2018, the Company entered into an option agreement (the “Option Agreement”) with Prospex SpA, BLC SpA and Calisto SpA (collectively, the “Optionors”), as amended February 28, 2018, pursuant to which the Company has been granted an option (the “Option”) to earn a 100% interest in four blocks of exploration-stage mineral concessions with prospective copper and gold targets located in northern Chile, subject to certain underlying royalties. The Option Agreement also provides for the sale by the Optionors of the related exploration databases to the Company. The transaction subject to the Option Agreement was intended to constitute the Company’s Qualifying Transaction which was completed on April 26, 2018. Following completion of the Qualifying Transaction, the Company became a Tier 2 mining issuer. Prior to the closing of the Qualifying Transaction, the Company changed its name to “Aethon Minerals Corporation” and effected a consolidation (the “Consolidation”) resulting in the consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for each three common share issued and outstanding immediately prior to the Consolidation. All common shares, warrants, stock options and exercise prices of the comparative periods in this unaudited condensed interim consolidated financial statements have been retrospectively restated to reflect the Consolidation.

In connection with the Qualifying Transaction, the Company completed a private placement financing (the “Financing”) of 15,100,000 subscription receipts (the “Subscription Receipts”) on February 23, 2018 for gross proceeds of \$7,701,000. The net proceeds of the Financing will be used to fund the exploration activities on the properties subject to the Option and for general corporate purposes.

Aethon Minerals Chile SpA was incorporated on January 2, 2018 and become a wholly owned subsidiary of the Company at the completion of the Qualifying Transaction on April 27, 2018.

On October 18, 2018, the Company announced that it changed its fiscal year end from November 30 to December 31. The change is being made to synchronize the Company’s year end with its major shareholders and with publicly reporting peer companies. The Condensed Interim Consolidated Financial Statements reflect the three and six months period ended June 30, 2019 compared with the three and six months period ended May 31, 2018.

These condensed interim consolidated financial statements, approved by the Board of Directors on August 27, 2019, have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company’s annual consolidated financial statements for the year ended December 31, 2018 other than below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2018. The following new standards have been adopted:

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”)

IFRS 15 proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard 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. On January 1, 2019, the Company adopted IFRS 15 and has determined that the adoption of this new standard does not have a significant impact on its financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on April 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2019. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Change in accounting policies (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	Loans and receivables (amortized cost)	Amortized cost
Receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

IFRS 16, Leases ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). This will replace IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers. As the Company has contractual obligations in the form of operating leases under IAS 17, there may be an increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. On January 1, 2019, the Company adopted IFRS 16 and has determined that the adoption of this new standard does not have a significant impact on its financial statements.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements
 June 30, 2019
 (Expressed in Canadian Dollars)
 (Unaudited)

2. Summary of significant accounting policies (continued)

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods beginning after January 1, 2019. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the below. The following has not yet been adopted and are being evaluated to determine the impact on the Company:

IFRS 17, Insurance Contracts (“IFRS 17”)

On May 18, 2017, the IASB issued Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

3. Equipment

Cost	Computer Equipment	Office Equipment	Total
Balance, December 31, 2018	\$ 5,086	\$ 622	\$ 5,708
Impact of foreign exchange	(93)	(11)	(104)
Balance, June 30, 2019	\$ 4,993	\$ 611	\$ 5,604
Accumulated depreciation			
Balance, December 31, 2018	\$ 469	\$ 83	\$ 552
Depreciation for the period	1,277	62	1,339
Impact of foreign exchange	(36)	(3)	(39)
Balance, June 30, 2019	\$ 1,710	\$ 142	\$ 1,852
Net book value			
Balance, December 31, 2018	\$ 4,617	\$ 539	\$ 5,156
Balance, June 30, 2019	\$ 3,283	\$ 469	\$ 3,752

Aethon Minerals Corporation

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral property interests

	AbraPlata Project	Arcas and Maricunga Projects	LLanos Project	Total
November 30, 2017	\$ -	\$ -	\$ -	\$ -
Acquisition	-	5,712,000	128,675	5,840,675
Legal expenses	-	195,049	30,271	225,320
Mining fees	-	387,345	7,762	395,107
Consultant fees	-	173,146	86,657	259,803
Lab	-	4,551	29,032	33,583
Drilling	-	-	274,995	274,995
Geology	-	147,519	171,352	318,871
Others	-	24,482	28,495	52,977
Write-off	-	-	(757,239)	(757,239)
December 31, 2018	\$ -	\$ 6,644,092	\$ -	\$ 6,644,092
Acquisition	97,510	-	-	97,510
Legal expenses	-	26,039	-	26,039
Mining fees	-	130,050	-	130,050
Consultant fees	-	107,012	-	107,012
Lab	-	3,769	-	3,769
Geology	-	19,397	-	19,397
Others	-	240	-	240
Impact of foreign exchange	-	(22,526)	-	(22,526)
June 30, 2019	\$ 97,510	\$ 6,908,073	\$ -	\$ 7,005,583

Arcas and Maricunga Projects

On January 23, 2018, the Company entered into the Option Agreement with the "Optionors, as amended February 28, 2018, pursuant to which the Company has been granted the Option to earn a 100% interest in four blocks of exploration-stage mineral concessions with prospective copper and gold targets located in northern Chile, subject to certain underlying royalties. The properties subject to the Option cover 130,000 hectares of prospective projects in the Antofagasta copper region and the Maricunga gold - silver region. The Option Agreement also provides for the sale by the Optionors of the related exploration databases to the Company.

The consideration for the purchase of the Databases and the grant of the Option is the issuance of an aggregate of 11,200,000 post-Consolidation common shares of the Company at a deemed issue price of \$0.51 per share. To exercise the Option, the Company must incur cumulative expenditures of at least \$750,000 on the exploration and development of the Properties within 18 months from the closing of the Qualifying Transaction of which at least \$500,000 must be incurred within 12 months from the closing date. The Company must also pay an aggregate of \$1,000 to the Optionors. Any production from the Properties is subject to an existing 0.98% gross sales royalty in favour of a third party and a new 1.02% gross sales royalty in favour of the Optionors, for a total gross sales royalty of 2.0%.

On April 4, 2019, the Company announced that it had exercised its option to acquire a 100% interest in the Properties. Per the option agreement with the Optionors relating to the QT Option, the Company was required to incur cumulative expenditures of at least \$750,000 on the exploration and development of the Properties by October 26, 2019, with at least \$500,000 incurred prior to April 26, 2019, and pay an aggregate of \$1,000 to the Optionors. Any production from the Properties is subject to an existing 0.98% gross sales royalty in favour of a third party and a new 1.02% gross sales royalty in favour of the Optionors, for a total gross sales royalty of 2.0%.

Aethon Minerals Corporation

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral property interests (continued)

Llanos Project

On May 16, 2018, the Company, through its wholly-owned subsidiary Aethon Minerals Chile SpA, entered into an option agreement with Sociedad Legal Minera La Florida De Canela, an arm's length private Chilean company, to acquire a 100% interest in the Llanos De Llahuin project ("Llanos" or the "Project") in Chile.

The Project, located in Chile's Region IV close to the city of Illapel, is approximately 250 km north of Santiago.

US\$100,000, equivalent to \$128,675, was paid on execution of the option agreement which has been capitalized as deferred acquisition costs included in the mineral property interest. In order to exercise the option, the Company is required to complete the following payments: US\$100,000 six months after the option agreement execution, US\$150,000 twelve months after the option agreement execution, US\$500,000 eighteen months after the option agreement execution, US\$650,000 twenty four months after the option agreement execution, US\$1,800,000 thirty six months after the option agreement execution and USD\$3,000,000 forty eight months after the option agreement execution.

The results of exploration and activity during the year were not satisfactory and the Company recorded an impairment of the Llanos project in the amount of \$757,239 at December 31, 2018. On February 4, 2019, the Company terminated the Llanos option agreement.

Diablillos Project

On March 1, 2019, the Company and AbraPlata Resource Corp. ("AbraPlata") announced that they had entered into a binding letter agreement (the "AbraPlata Agreement"), whereby Aethon will have the exclusive right for a period of approximately five months to (i) perform technical due diligence on AbraPlata's Diablillos silver-gold project (the "Diablillos Project") in Argentina and (ii) negotiate with AbraPlata the terms of an option or other transaction whereby Aethon could acquire a 50% or greater interest in the Diablillos Project. SSR Mining Inc. (formerly Silver Standard Resources Inc.) ("SSRM"), the original vendor of the Diablillos Project to AbraPlata, has indicated its intention to support in principle the transactions to be negotiated by the parties pursuant to the AbraPlata Agreement. The Diablillos Project is located in the mining-friendly province of Salta in northwestern Argentina, approximately 150 km southwest of the city of Salta.

Aethon Minerals Corporation

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital

a) Authorized share capital

Unlimited common shares, without nominal or par value.

Unlimited preferred shares issuable in series without nominal or par value.

b) Issued share capital

The following is a continuity of shares issued:

	Shares	Amount
Balance, November 30, 2017	1,333,333	\$ 701,063
Shares issued in private placement	15,100,000	7,701,000
Fair value of warrants issued in private placement	-	(3,014,942)
Fair value of broker warrants issued in private placement	-	(225,193)
Transaction costs in private placement	-	(326,393)
Shares issued for purchase of option in mineral property interest	11,200,000	5,712,000
Balance, May 31, 2018, December 31, 2018 and June 30, 2019	27,633,333	\$ 10,547,535

On April 25, 2018, the Company completed the Consolidation and the Name Change.

On April 26, 2018, the Company completed its Qualifying Transaction under which the Company was granted an Option to acquire 100% interest in the Properties (subject to underlying royalties) and acquired the related Databases by issuing 11,200,000 post-Consolidation common shares and paying \$1,000 to the Optionors. The 11,200,000 post-Consolidation common shares issued to the Optionors pursuant to the Qualifying Transaction are escrowed. Upon the completion of the Qualifying Transaction, 10% of the escrowed common shares were released on the issuance of the Final Exchange Bulletin (the "Initial Release"). An additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

In connection with the Qualifying Transaction, the Corporation completed the Financing on February 23, 2018. Following the completion of the Qualifying Transaction and resulting conversion of the Subscription Receipts on April 26, 2018, the private placement funds held in escrow were released to the Company, net of a \$427,635 cash commission payable to the finders of the Financing upon the release of escrowed funds. The net proceeds of the Financing will be used to fund the exploration activities on the Properties, including the exploration expenditures pursuant to the Option Agreement, and for general corporate purposes.

Pursuant to the Financing, on closing of the Qualifying Transaction, the Company issued 15,100,000 post-Consolidation common shares and 15,100,000 Warrants to holders of the Subscription Receipts. Each Warrant will entitle the holder thereof to acquire one post-Consolidation common share of the Company at a price of \$1.02 for a five-year period ending April 26, 2023, subject to acceleration and adjustment in accordance with its terms. If, after June 23, 2018, the closing price of the Company's common shares is higher than \$1.55 for any 20-consecutive trading-day period, the expiry date of the Warrants may be accelerated by the Company to the 20th trading day following the end of such a 20-day period by the issuance, within two trading days, of a news release announcing such acceleration. The fair value of the warrants was estimated at \$3,014,942 using Black-Scholes valuation model with the following assumptions: exercise price of \$1.02, risk-free interest rate of 2.10%, volatility of 100%, dividend yield of 0% and time to expiry of 5 years. In connection with the Financing, the Company incurred total transaction costs of \$536,390 of which \$209,997 was allocated to the warrants and the remaining \$326,393 was allocated to the share capital.

Aethon Minerals Corporation

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital (continued)

Following the completion of the Qualifying Transaction and resulting conversion of the Subscription Receipts, the net proceeds of the Financing were released to the Company. In connection with the Financing, the Company paid to Sprott Capital Partners, a division of Sprott Private Wealth LP, and Sprott Global Resource Investments, Ltd. (the "Finders"), from the proceeds of the Financing, fees of \$425,370, representing 6.0% of the gross proceeds raised from purchasers introduced by, or whose subscriptions are attributable to the efforts of, the Finders, together with applicable expenses and taxes, and issued to the Finders 834,060 finder's warrants (the "Finder's Warrants"), representing 6.0% of the number of Subscription Receipts purchased by such purchasers. Each Finder's Warrant is exercisable to purchase on or before April 26, 2020 one post-Consolidation common share at an exercise price of \$0.51. Pursuant to the terms of the finder's fee agreements, with the Finders, the Company also reimbursed the Finders' reasonable fees and disbursements incurred in connection with the Financing.

The fair value of the broker warrants was estimated at \$225,193 using Black-Scholes valuation model with the following assumptions: exercise price of \$0.51, risk-free interest rate of 1.86%, volatility of 100%, dividend yield of 0% and time to expiry of 2 years.

6. Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which allows the Company's Board of Directors, at its discretion and in accordance with TSXV requirements, to grant non-transferable options to purchase common shares to its directors, officers, employees and technical consultants to the Company. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to ten years from the date of grant and vesting terms will be determined at the time of grant by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, November 30, 2017	116,667	\$ 0.60
Granted	2,644,000	0.51
Balance, May 31, 2018	2,760,667	\$ 0.51
Balance, December 31, 2018	2,760,667	\$ 0.51
Expired/forfeited	(866,667)	0.52
Granted	160,500	0.51
Balance, June 30, 2019	2,054,500	\$ 0.51

On closing of the Qualifying Transaction, the Company granted 2,644,000 stock options to new officers, directors and consultants. The fair value of the stock options was estimated at \$1,011,440 using Black-Scholes valuation model with the following assumptions: exercise price of \$0.51, risk-free interest rate of 2.10%, volatility of 100%, forfeiture rate of 0%, dividend yield of 0% and time to expiry of 5 years. The stock options vest as to one-third on the one-year anniversary of the date of grant, one-third on the two-year anniversary of the date of grant and one-third on the three-year anniversary of the date of grant. During the six months ended June 30, 2019, 800,000 expired unexercised due to the departure of an officer and as at June 30, 2019, 1,844,000 stock options remained outstanding. During the three and six months ended June 30, 2019, the Company recorded \$nil and \$18,842, respectively, stock-based compensation in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

On June 24, 2019, the Company granted 160,500 stock options to certain directors and officers of the Company. The fair value of the stock options was estimated at \$17,960 using Black-Scholes valuation model with the following assumptions: exercise price of \$0.51, risk-free interest rate of 1.34%, volatility of 162.32%, forfeiture rate of 0%, dividend yield of 0% and time to expiry of 5 years. The stock options vest as to one-third on the one-year anniversary of the date of grant, one-third on the two-year anniversary of the date of grant and one-third on the three-year anniversary of the date of grant. During the three and six months ended June 30, 2019, the Company recorded \$180 stock-based compensation in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Stock options outstanding as at June 30, 2019:

Expiry date	Options outstanding	Exercise price (\$)	Remaining contractual life (years)	Options exercisable
April 26, 2022	50,000	0.60	2.82	50,000
April 26, 2023	1,844,000	0.51	3.82	61,467
June 24, 2024	160,500	0.51	4.99	-
	2,054,500	0.51	3.89	111,467

7. Warrants

Warrant transactions are summarized as follows:

	Number of warrants outstanding	Weighted average exercise price (\$)
Balance, November 30, 2017 and May 31, 2018	-	\$ -
Granted	15,100,000	1.02
Balance, December 31, 2018 and June 30, 2019	15,100,000	\$ 1.02

Warrants outstanding as at June 30, 2019:

Expiry date	Warrants outstanding	Exercise price (\$)	Remaining contractual life (years)	Warrants exercisable
April 26, 2023	15,100,000	1.02	3.82	15,100,000

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements
 June 30, 2019
 (Expressed in Canadian Dollars)
 (Unaudited)

8. Broker warrants

Broker warrant transactions are summarized as follows:

	Number of warrants outstanding	Weighted average exercise price (\$)
Balance, November 30, 2017 and May 31, 2018	-	\$ -
Granted	834,060	1.02
Balance, December 31, 2018 and June 30, 2019	834,060	\$ 1.02

Broker warrants outstanding as at June 30, 2019:

Expiry date	Warrants outstanding	Exercise price (\$)	Remaining contractual life (years)	Warrants exercisable
April 26, 2020	834,060	1.02	0.82	834,060

9. Related party transactions

	Three months ended		Six months ended	
	June 30, 2019	May 31, 2018	June 30, 2019	May 31, 2018
Payment to key management personnel:				
Cash compensation	\$ 125,000	\$ 133,942	\$ 360,000	\$ 133,942
Stock-based compensation	\$ 180	\$ 55,642	\$ 19,022	\$ 59,238

Related party transactions reflected in these consolidated financial statements are as follows:

(i) Until April 25, 2018, the Company was party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of having certain officers and directors in common, that provides office facilities and support services to the Company for a fee of \$1,000 per month plus sales taxes. Earlston is also reimbursed for all reasonable expenses incurred in the performance of its services. During the three and six months ended June 30, 2019, the Company incurred \$nil (three and six months ended May 31, 2018 - \$2,581 and \$5,731, respectively and incurred \$40,000 transaction costs for the issuance of shares in the private placement) of such costs to Earlston.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

10. Financial instruments and risk management

As at June 30, 2019, the Company's financial instruments comprise of cash and accounts payable and accrued liabilities. The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are 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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. Following the closing of the Financing and subsequent release of the proceeds from escrow on April 26, 2018, the Company believes it has sufficient cash to fund its near-term operations and its planned exploration expenditures. As at June 30, 2019, the Company had a cash balance of \$3,179,457 (December 31, 2018 - \$4,341,736) to settle current liabilities of \$384,634 (December 31, 2018 - \$535,660). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

10. Financial instruments and risk management (continued)

Market risk

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 has no investments at risk to interest fluctuations, commodity prices or other market factors and all financial instruments are denominated in Canadian dollars. Consequently, as at June 30, 2019, the Company has no exposure to market risks.

11. Capital management

Capital comprises the Company's shareholders' equity and any debt that it may issue. As at June 30, 2019, the Company's shareholders' equity was \$9,969,943 (December 31, 2018 - \$10,668,822). Additionally, the Company had current liabilities of \$384,634 (December 31, 2018 - \$535,660). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares and Subscription Receipts. The net proceeds raised to date will be sufficient to maintain the Company's near-term operations and to fund the planned exploration expenditures required to exercise the Option for the Properties. Should further exploration be undertaken, the Company may require additional funds.

The Company is not subject to any externally imposed capital requirements, and the Company's approach to managing capital remains unchanged from the period ended June 30, 2019.

12. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's interim CEO.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and Chile.

The segmental report is as follows:

As at June 30, 2019	Canada	Chile	Total
Current assets	\$ 3,187,144	\$ 158,098	\$ 3,345,242
Equipment	-	3,752	3,752
Mineral property interest	-	7,005,583	7,005,583
Total assets	\$ 3,187,144	\$ 7,167,433	\$ 10,354,577
Total liabilities	\$ 353,846	\$ 30,788	\$ 384,634
Net loss for the six months ended June 30, 2019	\$ (555,672)	\$ (137,254)	\$ (692,926)

Aethon Minerals Corporation

(Formerly Watusi Capital Corp.)

Notes to Condensed Interim Consolidated Financial Statements
 June 30, 2019
 (Expressed in Canadian Dollars)
 (Unaudited)

12. Segmented information (continued)

As at December 31, 2018	Canada	Chile	Total
Current assets	\$ 4,341,921	\$ 213,313	\$ 4,555,234
Equipment	-	5,156	5,156
Mineral property interest	-	6,644,092	6,644,092
Total assets	\$ 4,341,921	\$ 6,862,561	\$ 11,204,482
Total liabilities	\$ 494,667	\$ 40,993	\$ 535,660
Net loss for the period ended December 31, 2018	\$ (2,153,442)	\$ (958,466)	\$ (3,111,908)

13. Commitments

The Company is subject to the following commitments for premises rent:

Year	Amounts
For the year ended December 31, 2019	\$ 43,805
For the year ended December 31, 2020	87,610

14. Subsequent event

On July 29, 2019, the Company announced that it entered into a non-binding letter of intent (the "LOI"), contemplating the arm's length acquisition by AbraPlata of all of the outstanding common shares of Aethon. Pursuant to the terms of the LOI, all of the issued and outstanding Aethon Shares will be exchanged on the basis of 3.75 AbraPlata common shares (each whole share, an "AbraPlata Share") for each Aethon Share (the "Exchange Ratio"). The Exchange Ratio implies consideration of C\$0.248 per Aethon Share, based on the 10-day Volume Weighted Average Price ("VWAP") of AbraPlata Shares on the TSX Venture Exchange ("TSXV") as of July 26, 2019. This represents a premium of 42% to Aethon's 10-day VWAP.

Upon closing of the Proposed Transaction, the combined company will continue under the name of AbraPlata Resource Corp. and will be led by Aethon's current executive management team, with Mr. John Miniotis being appointed as the President and Chief Executive Officer.