Smythe CPA

WESTHAVEN VENTURES INC.
(An Exploration Stage Company)

Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTHAVEN VENTURES INC.

Opinion
We have audited the financial statements of Westhaven Ventures Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $3,022,820 during the year ended December 31, 2018 and, as of that date, the Company has an accumulated deficit of $5,694,624. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Smythe LLP | **smythecpa.com**

Smythe CPA

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

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

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

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

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

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

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

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

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

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Smythe LLP | **smythecpa.com**

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 12, 2019

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Smythe LLP | **smythecpa.com**

WESTHAVEN VENTURES INC.
(An Exploration Stage Company)
Statements of Financial Position
December 31
(Expressed in Canadian Dollars)

	2018	2017
Assets		
Current		
Cash and cash equivalents	$ 364,222	$ 59,514
BCMETC receivable (note 6)	518,187	207,896
Other receivables	46,813	33,492
	929,222	300,902
Reclamation Deposits	59,000	54,000
Equipment (note 5)	4,287	1,674
Mineral Properties (note 6)	4,307,728	2,962,833
	$ 5,300,237	$ 3,319,409
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	$ 130,963	$ 212,148
Loan payable (note 8)	279,825	440,000
	410,788	652,148
Shareholders' Equity		
Capital Stock (note 7)	7,732,990	5,046,804
Reserves (note 7)	2,851,083	306,614
Deficit	(5,694,624)	(2,686,157)
	4,889,449	2,667,261
	$ 5,300,237	$ 3,319,409

These financial statements are signed on behalf of the Board of Directors by:

"Gareth Thomas" (signed)

Director

"Shaun Pollard" (signed)

Director

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

WESTHAVEN VENTURES INC.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
Years Ended December 31
(Expressed in Canadian Dollars)

		2018		2017
Expenses				
Share-based payments (notes 7(d) and 8)	$	2,584,710	$	100,469
Management fees (note 8)		150,000		108,646
Advertising and promotion		94,032		66,241
Interest (note 8)		42,225		40,593
General and administrative (note 8)		30,766		15,886
Professional fees		52,437		20,661
Rent (note 8)		26,996		26,605
Property investigation costs		16,036		-
Regulatory and filing fees		15,719		15,213
Travel		5,213		8,306
Insurance		4,508		5,258
Amortization (note 5)		771		593
		(3,023,413)		(408,471)
Interest income		593		640
Net Loss and Comprehensive Loss for Year	$	(3,022,820)	$	(407,831)
Basic and Diluted Loss Per Share	$	(0.04)	$	(0.01)
Weighted Average Number of Common Shares Outstanding		71,234,184		55,066,074

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

WESTHAVEN VENTURES INC.
(An Exploration Stage Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Capital Stock		Reserves				Total
	Common Shares	Amount	Warrants	Options	Total Reserves	Deficit	Shareholders' Equity
Balance, December 31, 2016	52,312,779	$ 4,301,816	$ 23,143	$ 156,456	$ 179,599	$ (2,297,576)	$ 2,183,839
Non-flow-through units issued for cash (note7(b))	6,112,500	489,000	-	-	-	-	489,000
Flow-through units issued for cash (note 7(b))	1,136,363	96,591	28,409	-	28,409	-	125,000
Shares issued pursuant to property option agreement (note 7(b))	2,000,000	180,000	-	-	-	-	180,000
Exercise of warrants	196,000	13,720	-	-	-	-	13,720
Share-based payments	-	-	-	100,469	100,469	-	100,469
Expiration of options	-	-	-	(19,250)	(19,250)	19,250	-
Share issue costs	-	(34,323)	17,387	-	17,387	-	(16,936)
Net loss for year	-	-	-	-	-	(407,831)	(407,831)
Balance, December 31, 2017	61,757,642	5,046,804	68,939	237,675	306,614	(2,686,157)	2,667,261
Exercise of warrants	22,934,649	2,641,681	(3,632)	-	(3,632)	-	2,638,049
Exercise of options	265,000	50,506	-	(22,256)	(22,256)	-	28,250
Share-based payments	-	-	-	2,584,710	2,584,710	-	2,584,710
Cancellation of warrants	-	-	-	(14,353)	(14,353)	14,353	-
Share issue costs	-	(6,001)	-	-	-	-	(6,001)
Net loss for year	-	-	-	-	-	(3,022,820)	(3,022,820)
Balance, December 31, 2018	84,957,291	$ 7,732,990	$ 65,307	$ 2,785,776	$ 2,851,083	$ (5,694,624)	$ 4,889,449

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

WESTHAVEN VENTURES INC.
(An Exploration Stage Company)
Statements of Cash Flows
Years Ended December 31
(Expressed in Canadian Dollars)

		2018		2017
Operating Activities				
Net loss for year	$	(3,022,820)	$	(407,831)
Items not involving cash				
Amortization		771		593
Interest expense		39,825		40,000
Share-based payments		2,584,710		100,469
		(397,514)		(266,769)
Changes in non-cash working capital				
Accounts receivable		(13,321)		(11,067)
Accounts payable and accrued liabilities		(24,045)		39,886
Cash Used in Operating Activities		(434,880)		(237,950)
Financing Activities				
Shares issued for cash, net of share issue costs		-		597,064
Exercise of warrants		2,638,049		13,720
Exercise of options		28,250		-
Share issue costs for exercise of warrants and options		(6,001)		-
Repayment on loan from shareholder		(200,000)		(69,829)
Cash Provided by Financing Activities		2,460,298		540,955
Investing Activities				
Expenditures on mineral properties		(1,712,326)		(639,584)
Purchase of equipment		(3,384)		-
Expenditures (refund) of reclamation deposit		(5,000)		5,000
Cash Used in Investing Activities		(1,720,710)		(634,584)
Inflow (Outflow) of Cash		304,708		(331,579)
Cash and Cash Equivalents, Beginning of Year		59,514		331,093
Cash and Cash Equivalents, End of Year	$	364,222	$	59,514
Cash and Cash Equivalents is comprised of:				
Cash	$	(135,778)	$	59,514
Guaranteed Investment Certificate		500,000		-
	$	364,222	$	59,514
Supplemental Cash Flow Information				
Accounts payable included in mineral properties	$	53,586	$	110,726
Mining exploration tax credit included in mineral properties	$	518,187	$	207,896
Shares issued for mineral properties	$	-	$	180,000
Interest paid	$	2,400	$	593

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Westhaven Ventures Inc. (the "Company") is an exploration stage company incorporated under the *Business Corporations Act* of British Columbia and commenced operations on May 5, 2010. The Company is engaged in the acquisition and exploration of mineral properties in Canada.

The head office and records office of the Company is located at 1056 - 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

The Company has sustained recurring losses and negative cash flows from operations. As at December 31, 2018, the Company had cash and cash equivalents of $364,222 (2017 - $59,514); working capital of $518,434 (2017 – deficiency $351,246) and an accumulated deficit of $5,694,624 (2017 - $2,686,157). The Company has ongoing requirements for capital investment for its mineral property interests. The Company will need to raise substantial additional capital through equity financing to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these mineral property interests, and establish future profitable production, or realize proceeds from the disposition of mineral interests. The carrying value of the Company's mineral property interests does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial instruments carried at fair value. Also, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's functional and presentation currency is the Canadian dollar.

The significant accounting policies set out in note 3 have been applied consistently to all years presented.

2. BASIS OF PRESENTATION (Continued)

(b) Approval of the financial statements

The financial statements of the Company as at December 31, 2018 and 2017 and for the years then ended were approved and authorized for issue by the Board of Directors on April 12, 2019.

(c) New and future accounting pronouncements

At the date of authorization of these financial statements, the IASB and International Financial Reporting Interpretation Committee have issued the following new and revised standards and interpretations, which are effective for the current and future reporting periods. The Company has performed an assessment of the impact of the new standards and has determined that adoption of these standards will have no significant impact on the Company's financial statements. The new and revised standards applicable to the Company are as follows:

Accounting Standards issued and effective for the current period

Several amendments to the existing accounting standards became effective during the financial year and were first adopted by the Company effective January 1, 2018:

IFRS 9 *Financial Instruments*

Issued by IASB	July 2014
Effective for annual periods beginning on or after	January 1, 2018

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives.* The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(c) New and future accounting pronouncements (Continued)

IFRS 9 *Financial Instruments* (Continued)

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

As at January 1, 2018, the impact of the adoption of IFRS to the Company's financial instruments are as follows:

	Under IAS 39		**Under IFRS 9**	
	Classification	Carrying amount	Classification	Carrying amount
Cash	FVPTL	$ 59,514	FVPTL	$ 59,514
Accounts receivable	Loans and receivables – Amortized cost	$ 4,752	Amortized cost	$ 4,752
Accounts payable and accrued liabilities	Other financial liabilities – Amortized cost	$ 212,148	Amortized cost	$212,148
Loan payable	Other financial liabilities – Amortized cost	$ 440,000	Amortized cost	$ 440,000

As a result of the adoption of IFRS 9, the Company has changed accounting policy for financial instruments retrospectively. The change did not result in a change in the carrying value of any of the financial instruments on transition date. IFRS 9 does not require restatement of comparative periods. The adoption of IFRS 9 resulted in no impact to the opening statement of Financial Position or accumulated deficit.

3. BASIS OF PRESENTATION (Continued)

(c) New and future accounting pronouncements (Continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

Issued by IASB	November 2016
Effective for annual periods beginning on or after	January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

As the Company has no cash-settled share-based payments, this has no impact on the financial statements.

Accounting Standards issued and not yet effective for the relevant period

The following new standards, and amendments to standards and interpretations, were not yet effective and have not been applied in preparing these financial statements.

IFRS 16 *Leases*

Issued by IASB	January 2016
Effective for annual periods beginning on or after	January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces

a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.

3. BASIS OF PRESENTATION (Continued)

(c) New and future accounting pronouncements (Continued)

IFRS 16 *Leases* (Continued)

- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(d) Use of judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

2. BASIS OF PRESENTATION (Continued)

(d) Use of judgments and estimates (Continued)

Share-based payments

The value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Mining exploration tax credits

The Company is entitled to refundable tax credits on qualified mining exploration expenses incurred in the province of British Columbia. Management's judgment is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates that it has reasonable assurance that the tax credits will be realized. Upon review of the mining exploration tax credit claim by the Canada Revenue Agency, any adjustments to the estimate made by the Company are recorded in the period of the tax assessment.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Recoverability of mineral properties

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indicators of impairments. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's minerals properties.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year as they fall due involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

(i) Cash and cash equivalents is comprised of cash on hand and a guaranteed investment certificate.

(b) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of loss and comprehensive loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

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

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

(c) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the declining-balance method applying the following annual rates:

Computer equipment and software	30%
Furniture and equipment	20%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Mineral properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

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

(e) Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Provision for closure and reclamation

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

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

(g) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(h) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Share-based payments (Continued)

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

(i) Earnings or loss per share

Earnings or loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(j) Flow-through shares

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds using the residual method and allocates the funds received as follows:

- Capital stock – the market value of the common shares;
- Warrant reserve – if warrants are being issued, up to the amount calculated using the Black-Scholes option pricing model; and
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets and the flow-through share premium is amortized to the statement of loss and comprehensive loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has incurred those expenditures at any time (before or after the end of the reporting period).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Flow-through shares (Continued)

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

(k) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market value of the common shares at the time the units are priced, and any excess is allocated to warrants.

(l) Mining exploration tax credits

The Company recognizes mining exploration tax credits in the period in which the related exploration expenses were incurred and collectability is reasonably assured. The mining exploration tax credits are capitalized to offset the cost of mineral properties.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loan payable have carrying values that approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by ensuring that these financial assets are placed with a major Canadian financial institution with strong investment-grade ratings. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as amounts are held with a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2018		2017
Cash and cash equivalents – Canadian dollars	$	364,222	$	59,514
Accounts receivables – Canadian dollars	$	4,934	$	4,752

(Expressed in Canadian Dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

At December 31, 2018, the Company had cash and cash equivalents in the amount of $364,222 (2017 - $59,514), accounts payable and accrued liabilities of $130,963 (2017 - $212,148) and loan payable of $279,825 (2017 - $440,000). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2018. The loan payable is repayable on September 30, 2019.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, loan fixed interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant market risk other than the fixed interest rate risk in relation to its loan payable.

5. EQUIPMENT

Cost		
As at December 31, 2016 and 2017	$	9,735
Additions during year		3,384
As at December 31, 2018	$	13,119
Accumulated Amortization		
As at December 31, 2016	$	7,468
Charge for the year		593
As at December 31, 2017		8,061
Charge for the year		771
As at December 31, 2018	$	8,832
Carrying Value		
As at December 31, 2017	$	1,674
As at December 31, 2018	$	4,287

(Expressed in Canadian Dollars)

6. MINERAL PROPERTIES

Amounts capitalized as mineral property costs are as follows:

	Shovelnose Gold Property	Prospect Valley Property	Skoonka Creek Property	Skoonka North Property	Total
Balance, December 31, 2016	$ 1,605,972	$ 640,453	$ -	$ -	$ 2,246,425
Deferred exploration costs					
Acquisition costs	-	-	182,048	-	182,048
Geological and assays	195,865	54,242	45,748	-	295,855
Drilling	367,415	-	-	-	367,415
Lab fees	70,517	-	8,469	-	78,986
Total additions during the year	633,797	54,242	236,265	-	924,304
Mining tax credits	(177,455)	(15,224)	(15,217)	-	(207,896)
Net change during the year	456,342	39,018	221,048	-	716,408
Balance, December 31, 2017	2,062,314	679,471	221,048	-	2,962,833
Deferred exploration costs					
Acquisition costs	-	-	-	10,792	10,792
Geological and assays	433,630	6,413	47,375	122,820	610,238
Drilling	1,000,336	-	-	-	1,000,336
Lab fees	241,716	-	-	-	241,716
Total additions during the year	1,675,682	6,413	47,375	133,612	1,863,082
Mining tax credits	(468,780)	(1,794)	(13,253)	(34,360)	(518,187)
Net change during the year	1,206,902	4,619	34,122	99,252	1,344,895
Balance, December 31, 2018	$3,269,216	$ 684,090	$ 255,170	$ 99,252	$4,307,728

(a) Shovelnose Gold Property, British Columbia, Canada

In January 2011, the Company signed an option agreement (the “Shovelnose Agreement”) with Strongbow Exploration Inc. (“Strongbow”) whereby the Company can earn up to a 70% interest in the Shovelnose Gold Property, a mineral claim near Merritt, British Columbia, staked by Strongbow in 2005 and 2008. A director of the Company is also a director of Strongbow.

Under the terms of the Shovelnose Agreement, the Company would earn an initial 51% interest in the Shovelnose Gold Property by issuing a total of 300,000 common shares (issued) to Strongbow and incurring $1,500,000 ($750,000 incurred) in exploration expenditures on the property.

6. MINERAL PROPERTIES (Continued)

(a) Shovelnose Gold Property, British Columbia, Canada (Continued)

On September 1, 2015 the Company entered into a new purchase agreement with Strongbow to acquire 100% of the Shovelnose Gold Property replacing the January 2011 agreement. Under the terms of the new agreement the Company acquired a 100% interest in the property by issuing 2,000,000 common shares (issued upon completion of the new agreement). In addition, Strongbow was granted a 2% net smelter returns royalty ("NSR") on the property. The Company will retain the right to reduce the NSR to 1% by paying Strongbow $500,000 at any time prior to the commencement of commercial production.

(b) Prospect Valley Gold Property, British Columbia, Canada

On September 21, 2015 the Company entered into an option and purchase agreement with Berkwood Resources Ltd. ("Berkwood") to acquire a 70% interest the Prospect Valley Gold Property near Merritt. The Company paid $20,000 to Berkwood upon signing as per the terms of the agreement. On October 22, 2015, the Company exercised the option by making a second and final payment of $80,000 and issued 500,000 common shares at a price of $0.065 per share. The common shares have a hold period of five years.

On February 16, 2016 the Company acquired the remaining 30% interest in the property for a cash payment of $40,000 and the issue of 500,000 common shares at a price of $0.07 per share. The common shares have a hold period of five years.

(c) Skoonka Creek, British Columbia, Canada

On May 24, 2017, the Company signed a purchase agreement with Strongbow Exploration Inc. ("Strongbow"), and Almadex Minerals Ltd. ("Almadex"), to acquire 100% interest in the Skoonka Creek gold property, located within the prospective Spences Bridge Gold Belt (SBGB), British Columbia. Under the terms of the agreement the Company issued 2,000,000 common shares (issued on May 30, 2017) at a price of $0.09 per share. Almadex retains its original net smelter royalty of 2% from future production.

(d) Skoonka North Gold Property, British Columbia, Canada

In May 2018 the Company staked an additional gold mineral property, Skoonka North, within the Spences Bridge Gold Belt, British Columbia.

6. MINERAL PROPERTIES (Continued)

Realization

The Company's investment in and expenditures on the mineral property interests comprise a substantial portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interests, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interests, and future profitable production or proceeds from the disposition thereof.

Title and environmental

Although the Company has taken steps to verify the title to mineral properties in which it has or had a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

During the year ended December 31, 2018 the Company issued 22,934,649 shares on the exercise of warrants for total proceeds of $2,638,049 and issued 265,000 shares on the issue of stock options for total proceeds of $28,250. $3,632 and $22,256 were transferred from the warrants and options reserve to capital stock in relation to the exercise of the warrants and options.

On May 30, 2017 the Company issued 2,000,000 common shares to Strongbow and Almadex to acquire 100% interest in Skoonka Creek gold project. The fair value was recorded at a price of $0.09 per share.

On October 17, 2017 the Company closed the first tranche of a private placement with the issue of 5,462,500 non-flow-through share units and 1,136,363 flow-through share units for total proceeds of $562,000. The non-flow-through share units were issued at a price of $0.08 per unit. Each non-flow-through share unit consists of one common share and one common share warrant. Each warrant will entitle the holder to purchase one common share at $0.10 for 24 months from the closing date of the private placement. The total proceeds were allocated to capital stock.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

The flow-through share units were issued at a price of $0.11 per unit. Each flow-through share unit consists of one common share and one common share warrant. Each warrant will entitle the holder to purchase one common share at $0.13 for 24 months from the closing date of the private placement.

On October 25, 2017 the Company closed the second and final tranche of the private placement with the issue of 650,000 non-flow-through share units at a price of $0.08 per unit for gross proceeds of $52,000. Each non-flow-through share unit consists of one common share and one common share warrant. Each warrant will entitle the holder to purchase one common share at $0.10 for 24 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual on this flow-through offering.

During the year ended December 31, 2017, the Company issued 196,000 common shares on the exercise of warrants for total proceeds of $13,720.

During the year ended December 31, 2017, the Company issued 280,000 brokers warrants for the private placement completed on October 17, 2017. The brokers' warrants are exercisable at a price of $0.10 for 24 months from the closing of the private placement. The fair value of the share purchase warrants was $17,387 and was calculated using the Black-Scholes option pricing model. The assumptions used for the Black-Scholes option pricing model valuation of the warrants were: risk-free interest rate: 0.99%, expected life: 2 years, annualized volatility: 101%, dividend yield: 0%. The Company paid a total cash finder's fee of $5,180 and incurred other share issuance costs of $11,756.

(c) Warrants

The following summarizes the Company's warrants as at December 31, 2018 and 2017 and changes during the year:

	2018		**2017**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	26,971,528	$ 0.12	19,638,665	$ 0.12
Issued	-	-	7,528,863	$ 0.11
Exercised	(22,934,649)	$ 0.12	(196,000)	$ 0.07
Expired	(1,584,167)	$ 0.16	-	-
Outstanding and exercisable, end of year	2,452,712	$ 0.10	26,971,528	$ 0.12

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(c) Warrants (Continued)

As at December 31, 2018, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
February 28, 2019	$0.07	676,667	0.16
October 17, 2019	$0.10	1,071,500	0.79
October 17, 2019	$0.13	454,545	0.79
October 25, 2019	$0.10	250,000	0.82
		2,452,712	

As at December 31, 2017, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
May 17, 2018	$0.16	2,326,665	0.38
May 28, 2018	$0.16	856,666	0.40
September 21, 2018	$0.16	3,860,000	0.72
September 28, 2018	$0.16	3,416,667	0.74
October 27, 2018	$0.08	2,593,667	0.82
November 12, 2018	$0.08	649,000	0.87
February 28, 2019	$0.07	5,740,000	1.16
October 17, 2019	$0.10	5,742,500	1.79
October 17, 2019	$0.13	1,136,363	1.79
October 25, 2019	$0.10	650,000	1.82
		26,971,528	

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(d) Stock options

The Company adopted a stock option plan (the "Plan") whereby the number of options granted to one person shall not exceed 10% of the outstanding shares at the time of granting the options. If employment with the Company is terminated, other than through death, options not exercised will expire within 90 days after the termination date.

On November 14, 2018 the Company granted 2,900,000 stock options at an exercise price of $1.20 per share. The options vested November 14, 2018 and expire November 14, 2023. Share-based payments of $2,421,210 was charged to the statement of loss and comprehensive loss.

On March 21, 2018 the Company granted 1,500,000 stock options at an exercise price of $0.14 per share. The options vested March 21, 2018 and expire March 21, 2023. Share-based payments of $163,500 was charged to the statement of loss and comprehensive loss.

During the year ended December 31, 2018, 265,000 stock options were exercised for total proceeds of $28,250, $22,256 was transferred from options reserve to capital stock.

For the year ended December 31, 2018 on the cancellation of 200,000 options, $14,353 was transferred from options reserve to deficit.

On April 13, 2017, the Company granted 1,400,000 stock options at an exercise price of $0.10 per share. The options vested April 13, 2017 and expire April 13, 2022. Share-based payment expense of $100,469 was charged to the statement of loss and comprehensive loss.

For the year ended December 31, 2017, on expiry of the 175,000 options, $19,250 was transferred from options reserve to deficit.

The following summarizes the Company's stock options as at December 31, 2018 and 2017 and changes during the year

	2018		**2017**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	4,065,000	$ 0.08	2,840,000	$ 0.07
Granted	4,400,000	$ 0.84	1,400,000	$ 0.10
Exercised	(265,000)	$ 0.11	-	-
Expired/cancelled	(200,000)	$ 0.10	(175,000)	$ 0.12
Outstanding and exercisable, end of year	8,000,000	$ 0.49	4,065,000	$ 0.08

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

As at December 31, 2018, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
April 15, 2019	$ 0.15	350,000	0.28
December 28, 2020	$ 0.05	2,200,000	1.99
April 13, 2022	$ 0.10	1,200,000	3.28
March 21, 2023	$ 0.14	1,350,000	4.47
November 14, 2023	$1.20	2,900,000	4.87
		8,000,000	3.53

As at December 31, 2017, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
April 15, 2019	$ 0.15	365,000	1.28
December 28, 2020	$ 0.05	2,300,000	2.99
April 13, 2022	$ 0.10	1,400,000	4.28
		4,065,000	3.29

The fair value of options granted during the year ended December 31, 2018 and 2017 was vested immediately and was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	**2017**
Expected life (years)	5	5
Interest rate	2.24%	0.99%
Volatility	115%	115%
Dividend yield	0%	0%
Market value of common shares at grant date	$0.73	$0.09

Volatility has been calculated based on the historical volatility of the Company.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties in addition to those discussed elsewhere in the financial statements.

(a) Short-term employee benefits for key management compensation were paid to personal service corporations as follows:

		2018		2017
Anglo Celtic Exploration Ltd.	$	75,000	$	54,323
Gravitas Advisory Services		75,000		54,323
Total key management compensation	$	150,000	$	108,646

Share-based payment expense allocated to key management during the year ended December 31, 2018 was $1,570,075 (2017 - $100,469).

(i) Anglo Celtic Exploration Ltd. (“Anglo”)

Anglo is a company controlled by Grenville Thomas, Chief Executive Officer of the Company, and Gareth Thomas, a director of the Company.

In addition to the above costs, the Company paid $28,429 (2017 - $27,951) of rent and office expenditures to Anglo. On December 31, 2018, a total of $28,207 (2017 - $86,224) due to Anglo is included in accounts payable and accrued liabilities.

(ii) Gravitas Advisory Services (“Gravitas”)

Gravitas is a company controlled by Shaun Pollard, Chief Financial Officer of the Company.

(b) On November 19, 2014, the Company entered into an agreement with Anglo to provide an unsecured loan of $200,000. The outstanding balance of the loan is to be repaid within 12 months. The Company may repay the loan at any time without any prepayment penalty. The loan will accrue interest at a rate of 10% per annum.

On October 14, 2015 the Company and Anglo amended the terms of the loan to increase the principal to $400,000 and to extend the repayment date to November 19, 2016. The loan will accrue interest at a rate of 10% per annum. As further consideration, the Company agreed to pay Anglo a bonus of 20% of the value of loan principal through issuance of the Company’s common shares. On October 22, 2015, the Company issued 1,230,769 shares in payment of the bonus recorded at the fair value of the shares of $0.065 per share.

The aggregate finance fees (bonus shares) were recorded against the loan balance and amortized to the statement of loss and comprehensive loss over the life of the loan, based on the original maturity date using the effective interest method. The debt discount was fully amortized as at December 31, 2016 and 2017.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

On September 30, 2018, the Company and Anglo entered into an amendment agreement to extend the repayment date of the loan to September 30, 2019. All other terms of the loan agreement remain the same. The balance of the outstanding loan at December 31, 2018 is comprised as follows:

Year	Balance at Beginning of the Year	Accrued Interest Expense	Bonus Shares (Debt Issuance Cost)	Amortization of Debt Issuance Cost	Loan Payments	Balance at End of Year
2017	$ 400,000	$ 40,000	$(80,000)	$80,000	-	$ 440,000
2018	$ 440,000	$ 39,825	$(80,000)	$80,000	$ (200,000)	$ 279,825

9. INCOME TAXES

Income tax expense differs from the amounts that would be computed by applying the Canadian statutory income tax rate of 27% (2017 - 26%) to income before income taxes.

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

	2018	2017
Net loss for the year	$ (3,022,820)	$ (407,831)
Statutory income tax rate	27%	26%
Income tax recovery at Canadian statutory rate	(816,161)	(106,036)
Temporary differences	(112,758)	59,422
Non-deductible amounts	667,364	26,619
Unused tax losses and tax offsets	258,119	19,995
Effect of changes in tax rates	3,436	-
Total income tax recovery	$ -	$ -

The significant components of deferred tax assets and liabilities recognized as of December 31 are as follows:

	2018	2017
Deferred income tax asset from non-capital losses	$ 387,199	$ 332,951
Deferred income tax liability from resource properties	(387,199)	(332,951)
Net deferred income tax assets	$ -	$ -

(Expressed in Canadian Dollars)

9. INCOME TAXES (Continued)

The significant components of the Company's unrecognized deferred income tax assets as at December 31 are as follows:

	2018	2017
Tax loss carry-forwards	$ 861,313	$ 587,636
Share issuance costs	92,494	108,788
Non-refundable investment tax credits	193,550	193,550
Unrecognized deductible temporary differences	$ 1,147,357	$ 889,974

The Company has available losses that may be carried forward to apply against future years' income for tax purposes. The approximate losses expire as follows:

Available to	Amount
2030	$ 73,000
2031	181,000
2032	282,000
2033	206,000
2034	256,000
2035	232,000
2036	307,000
2037	331,000
2038	432,000
	$ 2,300,000

10. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

10. CAPITAL MANAGEMENT (Continued)

There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

11. COMMITMENTS

On January 1, 2017, the Company entered into a rent-sharing agreement with a company controlled by common officers and directors for the rental of office premises, expiring December 31, 2019. Under the terms of the agreement, the Company is committed to minimum annual payments of $26,605 for 2019.

On December 1, 2017 the Company entered into a two-year land lease agreement until November 30, 2019. The Company is committed to a base lease payment of $8,950 for 2019.

12. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

13. EVENTS AFTER THE REPORTING PERIOD

In January 2019, 200,000 warrants were exercised for gross proceeds of $14,750

In February 2019, 25,000 warrants were exercised for gross proceeds of $1,750.

On February 21, 2019, the Company closed a private placement offering which was part of a donation arrangement structured by PearTree Securities Inc. The Company issued 2,207,639 flow-through shares at a price of $1.1325 per share for gross proceeds of $2,500,151.