Financial Statements of

VIKING GOLD EXPLORATION INC.

For the Years Ended December 31, 2018 and 2017

VIKING GOLD EXPLORATION INC.

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Independent Auditor's Report

To the Shareholders of Viking Gold Exploration Inc.

Opinion

We have audited the financial statements of Viking Gold Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of (loss) income and comprehensive (loss) income, statements of cash flows and statements of changes in equity (deficiency) 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $66,265 during the year ended December 31, 2018, had an accumulated deficit and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 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 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 auditor's 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 cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 17, 2019

VIKING GOLD EXPLORATION INC.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		December 31, 2018		December 31, 2017
Assets				
Current				
Cash	$	44,802	$	3,390
Receivables (note 7)		3,255		6,046
Investments (note 6)		13,750		32,000
		61,807		41,436
Equipment (note 5)		590		890
	$	62,397	$	42,326
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 12 and 13b)	$	466,461	$	489,871
Loans payable (note 10)		107,392		-
Interest payable on convertible debentures (note 13b and 18)		57,760		42,039
Convertible debentures (note 13b and 18)		107,500		107,500
Provision for indemnification of flow-through subscribers (note 11)		401,633		415,000
		1,140,746		1,054,410
Shareholders' Deficiency				
Share capital (note 8b)		9,009,002		9,009,002
Equity-settled employee benefit reserve (note 8c)		-		8,751
Deficit		(10,087,351)		(10,029,837)
		(1,078,349)		(1,012,084)
	$	62,397	$	42,326

Nature and Continuance of Operations (note 1)
Commitments and Contingencies (notes 11, 14 & 18)
Subsequent Events (note 19)

Approved on behalf of the Board:

"Mark Edwards" .... Director
Mark Edwards

"Dominic Verdejo" .... Director
Dominic Verdejo

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

(Expressed in Canadian dollars)

	Year Ended	
	December 31, 2018	**December 31, 2017**
Expenses		
Depreciation (note 5)	$ 300	$ 300
Interest expense (note 10 and 18)	24,838	14,000
Management fees (note 13a)	24,000	24,000
Office and administration	6,162	202
Professional and regulatory fees	63,231	20,294
Operating Loss	(118,531)	(58,796)
Other Items		
Gain on disposition of exploration and evaluation assets (note 4)	79,800	20,000
Realized loss on investments (note 6)	(15,284)	-
Unrealized loss on investments (note 6)	(12,250)	-
Gain on settlement of loans payable (note 12)	-	92,556
Net and Comprehensive (Loss) Income for the Year	$ (66,265)	$ 53,760
Basic and Diluted Loss Per Share	$ (0.001)	$ 0.001
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	78,778,229	78,778,229

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars)

	2018	2017
Operating Activities		
Net income (loss)	$ (66,265)	$ 53,760
Items not involving cash		
Depreciation	300	300
Interest accrued on loans payable	8,117	-
Other income	(52,266)	(112,556)
Changes in non-cash working capital		
Receivables	2,791	(2,687)
Interest payable on convertible securities	15,721	14,000
Accounts payable and accrued liabilities	(23,410)	13,647
Cash Used in Operating Activities	(115,012)	(33,536)
Investing Activity		
Proceeds on disposition of investments	70,516	-
Cash Provided by Investing Activity	70,516	-
Financing Activities		
Loan proceeds	99,275	-
Flow-through indemnification payment	(13,367)	-
Cash Provided by Financing Activities	85,908	-
Inflow (Outflow) of Cash	41,412	(33,536)
Cash, Beginning of Year	3,390	36,926
Cash, End of Year	$ 44,802	$ 3,390

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Equity-Settled Employee Benefit Reserve	Deficit	Total
Balance, December 31, 2016	**79,778,229**	**$ 9,009,002**	**$ 18,751**	**$ (10,093,597)**	**$ (1,065,844)**
Expiry of stock options (note 8c)	-	-	(10,000)	10,000	-
Net loss and comprehensive loss for the year	-	-	-	53,760	53,760
Balance, December 31, 2017	**79,778,229**	**9,009,002**	**8,751**	**(10,029,837)**	**(1,012,084)**
Expiry of stock options (note 8c)	-	-	(8,751)	8,751	-
Net loss and comprehensive loss for the year	-	-	-	(66,265)	(66,265)
Balance, December 31, 2018	**79,778,229**	**$ 9,009,002**	**$ -**	**$ (10,087,351)**	**$ (1,078,349)**

See accompanying notes to the financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Viking Gold Exploration Inc. (the “Company”) is a Canadian mineral exploration company with interests in projects located in Quebec. The Company is incorporated under the laws of the Province of Ontario and is a reporting issuer in the Provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta, and was a Tier-2 listed company on the TSX Venture Exchange (“TSX-V”), that previously traded under the symbol VGC. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. The Company has been transferred to the NEX, but is still halted from trading as at April 17, 2019.

The Company’s exploration projects are described in Note 4. There has been no determination whether the Company’s properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

During the year ended December 31, 2018, the Company had a net loss of $66,265 (2017 – net income of $53,760) and an accumulated deficit of $10,087,351 as at December 31, 2018 (2017 - $10,029,837), and it has not generated positive cash flow from operations. As at December 31, 2018, the Company also had a working capital deficiency of $1,078,939 (2017 - $1,012,974).

Continuing operations of the Company are dependent on its ability to generate future cash flows, obtain additional financing and secure debt settlements with creditors. Management believes that sufficient working capital will be obtained from external financing to meet the Company’s current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its exploration and evaluation properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed above, there is a material uncertainty that casts significant doubt regarding the ultimate applicability of the Company’s going concern assumption.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

The address of the Company’s registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

2. BASIS OF PRESENTATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 17, 2019.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional and presentation currencies.

c) Use of Judgements, Estimates and Assumptions

The Company makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant items in these financial statements that involve the use of estimates include the following items:

- Estimation of decommissioning and restoration costs and the timing of expenditure

  Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. BASIS OF PRESENTATION (continued)

c) Use of Judgements, Estimates and Assumptions (continued)

- Income, value added, withholding and other taxes

  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Commitments, contingencies and provisions

  See Notes 11 and 14.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

Accounting policy under IFRS 9 applicable from January 1, 2018

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Receivables held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of income (loss) comprehensive income (loss).

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the in the statements of income (loss) comprehensive income (loss). The Company's investments are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of income (loss) comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income (loss) comprehensive income (loss) when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, interest payable on convertible debentures and convertible debentures, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of income (loss) comprehensive income (loss).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of income (loss) comprehensive income (loss).

<u>Accounting policy under IAS 39 applicable prior to January 1, 2018</u>

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities was as follows:

Financial Assets

The Company classifies each financial asset into one of four categories depending on the purpose for which the asset was acquired.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Assets in this category are derivatives or other assets held for trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no derivative financial instruments. The Company's investments are classified as FVTPL.

Available For Sale ("AFS")

Assets in this category are non-derivative financial assets that are either designated as available for sale or do not fit into one of the other categories. After initial recognition, AFS assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no AFS assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. For loans and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and amounts receivables, which are classified as loans and receivables.

Held to Maturity

Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held for trading, available for sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company has no held-to-maturity financial assets.

Financial Liabilities

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

Financial Liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held for trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no held-for-trading financial liabilities.

Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held for trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has trade and other payables, convertible debentures and interest payable on convertible debentures, which are classified as other financial liabilities. The Company’s liability for flow-through share premium is considered to be a deferred credit and not a financial liability.

Transaction Costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate, i.e. amortized through profit or loss over the term of the related instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Fair Value Hierarchy

The three levels of the fair value hierarchy are:

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

Financial assets and liabilities are recognized in the Statement of Financial Position when the Company has become party to the contractual provision of the instruments.

b) Exploration and evaluation

Exploration and evaluation ("E&E") expenditures include the direct costs of mineral exploration rights, licenses, technical services and studies, environmental studies, exploration drilling and testing, production scale manufacturing tests, directly attributable overhead and administrative expenses including remuneration of operating personnel and supervisory management, and all costs relating to the acquisition of mineral properties determined to be the acquisition of assets and liabilities for accounting purposes. E&E expenditures are expensed as incurred to the date that costs incurred are determined to be economically recoverable, the assessment of which would require the completion of a feasibility study that demonstrates a positive commercial outcome, and for the Company to decide to move forward with development of the property into a commercial operation such that it is probable that the future economic benefits will flow to the Company.

c) Equipment

Items of equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred. Depreciation of equipment is provided on a declining-balance basis over the estimated useful life at a rate of 20%.

d) Impairment

The carrying amounts of the Company's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. An asset's recoverable amount is the greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses, other than for goodwill, may be reversed if there has been a change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Decommissioning, Restoration and Similar Obligations

Obligations to perform, or fund, site decommissioning, restoration or other rehabilitative work arise when a disturbance to a mineral property is caused by exploration, development or production. The costs associated with these obligations are capitalized to the asset's carrying value and accrued as liabilities as incurred, using a current pre-tax risk-free interest rate and based on management's assumptions and best estimates. Capitalized costs are charged to profit or loss over the economic life of the related asset using the unit-of-production method of amortization. The related liability is adjusted each period for changes in the current pre-tax risk-free interest rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The increase in provisions for decommissioning, restoration and similar obligations due to the passage of time, is charged to profit or loss as a finance cost. The Company is not aware of any existing material decommissioning, restoration or similar obligations as at December 31, 2018 and 2017, as the disturbance to mineral properties through exploration to date is minimal.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits or investments. The Company has no banking arrangements for overdrafts or borrowings.

g) Income Taxes

Income tax expense (recovery) included in profit or loss is the sum of current and deferred tax as explained below.

Current Tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the reporting date. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using tax rates enacted, or substantively enacted, as at the reporting date. The carrying amounts of individual deferred tax assets are reviewed at the reporting date but are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax (recovery) expense included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity, less adjustments for flow-through premiums as further explained in Note 3i.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes (continued)

In assessing the probability that a potential deferred tax asset will be recovered, management makes estimates as to the Company's future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken by the Company will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

h) Share Capital and Common Share Purchase Warrants

The Company's common shares are classified as equity and may be issued on either a flow-through or non-flow-through basis. Certain unique aspects of flow-through shares are discussed in greater detail in Note 3i.

The Company periodically issues 'units' to investors consisting of common shares and common share purchase warrants in private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units (such as legal, finders' and regulatory fees) are recognized as a decrease in share capital net of related income tax effects. Other warrants (e.g. broker warrants issued in a private placement) are also included in transaction costs at their estimated issue date fair value as determined using the Black-Scholes option-pricing model. An offsetting credit is recorded in equity as a reduction of deficit.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, a related income tax charge is, if material, deducted from share capital.

The Company makes full and relevant disclosure of outstanding investor and other warrants in its financial statements, so that readers can assess the impact of potential future warrant exercises on the Company's cash flows and outstanding shares.

i) Flow-through Shares

The Company finances its exploration activities through the issuance of flow-through common shares. These shares transfer the tax deductibility of resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the accounting policy described below.

At the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the common shares over the value of the shares issued based on the quoted price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Flow-through Shares (continued)

As qualifying exploration expenditures are made in each reporting period, the Company expenses these costs in the statement of income (loss). If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule" as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability net of a proportionate amount of any related share issue premium. At the end of each reporting period, the Company discloses its outstanding flow-through expenditure commitment (see Notes 11 and 14a).

j) Share-based Payments

The Company's accounting policies for share-based payments are outlined below.

<u>Employees</u>

The term "employees" as used in these financial statements includes all officers, directors and others, including persons providing services that are similar to those provided by employees, e.g. certain consultants.

<u>Equity-settled Transactions</u>

An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received. When shares or other securities are issued to compensate key employees, the fair value is determined using the market value of the securities issued. When employees purchase shares or other securities on the same terms as non-employee investors, such transactions are not treated as share-based payments. Instead, see Notes 3h and 3i.

Common share purchase options ("options") are granted to key employees as performance incentives. The fair value of options granted is determined using the Black-Scholes option-pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded to an equity-settled employee benefit reserve. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance. When options expire or are forfeited, a transfer is made from the reserve to deficit. Accordingly, the balance of the reserve at each reporting date reflects the Company's unexpired/unexercised vested options.

The Company's stock option plan is described in Note 8c. The Company's accounting policies for share-based payments made to acquire mineral property interests or to compensate brokers are discussed in Notes 3b and 3h.

<u>Cash-settled Transactions</u>

A cash-settled transaction occurs when the Company enters into an agreement in which it incurs a liability linked to the Company's share price. Such transactions are recorded at the grant date but are subsequently re-measured to fair value in each period, until the liability is settled. The Company has not entered into any cash-settled transactions.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted income (loss) per share is calculated in a similar manner, but with adjustments to give full effect to all dilutive potential common shares that were outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. Out-of-the-money warrants and options are considered to be anti-dilutive. The Company's convertible debentures have been excluded from the diluted loss per share for the years ended December 31, 2018 and 2017 as their effect is anti-dilutive.

l) New Accounting Standards Adopted During the Year

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers,* which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) FVPL or FVOCI; establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Investments	Held for trading	FVPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Interest payable on convertible debentures	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New Accounting Standard Adopted During the Year (continued)

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

m) New Accounting Standards Issued but not yet Effective

IFRS 16 Leases - On January 13, 2016 the IASB issued IFRS 16. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that this new accounting standard is expected to have on its financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that this new accounting standard is expected to have on its financial statements.

4. EXPLORATION AND EVALUATION ASSETS

a) In January 2018, the Company sold three interests in the North West Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

b) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter royalty ("NSR"), which the purchaser can buy back for $1,000,000.

During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

c) The Company acquired a 100% interest in the Verneuil East Property in 2011, located in Quebec.

(Expressed in Canadian dollars)

5. EQUIPMENT

A continuity schedule of the Company's equipment for the years ended December 31, 2018 and 2017 is as follows:

	Total
Cost	
As at December 31, 2016 and 2017 and 2018	$ 4,741
Accumulated Depreciation	
As at December 31, 2016	3,551
Depreciation for year	300
As at December 31, 2017	3,851
Depreciation for the year	300
As at December 31, 2018	4,151
Net Book Value	
As at December 31, 2017	$ 890
As at December 31, 2018	$ 590

6. INVESTMENTS

	December 31, 2018	December 31, 2017
Investment in Troy Energy Corp. At December 31, 2018 - 250,000 common shares with a cost of $20,000; At December 31, 2017 - 250,000 common shares with a cost of $20,000.	$ 7,500	$ 20,000
Investment in Cartier Resources Inc At December 31, 2018 – 50,000 common shares with a cost of $6,000; At December 31, 2017 - 100,000 common shares with a cost of $12,000.	$ 6,250	$ 12,000
	$ 13,750	$ 32,000

60,000 shares of Goldmining Inc. were received in January 2018 and were sold during the year ended December 31, 2018 for net proceeds of $63,864, resulting in a loss on sale of investments of $15,936.

50,000 shares of Cartier Resources Ltd. were sold during the year ended December 31, 2018 for net proceeds of $6,652, resulting in a gain on sale of investments of $652.

7. RECEIVABLES

	December 31, 2018	December 31, 2017
Receivables		
Sales tax refundable (HST/QST)	$ 3,255	$ 6,046
Total receivables	$ 3,255	$ 6,046

(Expressed in Canadian dollars)

8. SHARE CAPITAL

a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital

There were no changes to issued share capital during the year ended December 31, 2018 or the year ended December 31, 2017.

c) Common Share Purchase Options

Under the Company's stock option plan, common share purchase options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. The maximum exercise period for a granted option is 5 years.

All of the Company's outstanding options have a 5-year term and vested at their respective grant dates.

A continuity schedule of the Company's outstanding and exercisable common share purchase options for the years ended December 31, 2018 and 2017 is as follows:

Expiry date	Exercise price	December 31, 2016	Expired 2017	December 31, 2017	Expired 2018	December 31, 2018
February 9, 2017	$0.175	150,000	(150,000)	-	-	-
May 1, 2018	$0.10	525,000	-	525,000	(525,000)	-
Total options		675,000	(150,000)	525,000	(525,000)	-
Weighted-average exercise price		$ 0.117	$ 0.175	$ 0.10	$ 0.10	$ Nil

9. INCOME TAXES

The Company recognizes deferred tax assets in respect of deductible temporary differences, which includes unused tax losses and other tax deductions/credits but only to the extent that it is probable that future taxable income will be available against which they can be utilized. The Company does not presently satisfy this recoverability test; accordingly, no deferred tax asset has been recorded.

There are no current taxes payable or recoverable as at December 31, 2018 and 2017. The deferred tax recovery (expense) for the years ended December 31, 2018 and 2017 consists of the following amounts:

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

a) Deferred Tax Provision

	2018	2017
Statutory income tax rate	26.8%	26.8%
(Loss) income before income taxes	$ (66,265)	$ 53,760
Expected deferred tax (recovery) expense for year	$ (18,000)	$ 14,000
Adjustments		
Unrealized loss on investments	3,000	-
Change in unrecognized deductible temporary differences	15,000	(14,000)
Deferred tax expense (recovery) for year	-	-

b) Unrecognized Deferred Tax Asset

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
Non capital loss carry-forwards	$ 1,100,000	$ 983,000
Capital loss carry-forwards	115,000	100,000
Other tax pools	383,000	382,000
Exploration and evaluation assets	3,100,000	3,180,000
Investments	26,000	-
Total unrecognized deferred tax asset	$ 4,724,000	$ 4,645,000

The non-capital losses of $1,100,000 as at December 31, 2018 expire as follows: 2026 – $20,000; 2027 – $85,000; 2028 – $66,000; 2029 – $77,000; 2030 - $55,000; 2031 – $143,000; 2032 – $35,000; 2033 – $124,000; 2034 - $64,000; 2035 - $207,000; 2036 - $106,000; 2037 - $nil; and 2018 - $118,000.

The capital losses may only be utilized for tax purposes against capital gains. The exploration and evaluation expenditures of $3,100,000 do not expire under current legislation.

10. LOANS PAYABLE

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 3,837	$ 37,262
July 17, 2018	November 14, 2018	10%/20%*	$ 40,850	$ 3,321	$ 44,171
August 22, 2018	December 20, 2018	10%/20%*	$ 25,000	$ 959	$ 25,959
Total			$ 99,275	$ 8,117	$107,392

*The loan bears interest at 10% untils its maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading (see Note 1).

(Expressed in Canadian dollars)

11. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at December 31, 2018 and December 31, 2017, the Company has also accrued in trade and other payables (see Note 12), the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

During 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in Note 14a.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables	$ 37,984	$ 32,662
Accrued expenses	71,600	63,600
Accrued Part XII.6 tax and related amounts (Note 11)	100,627	100,627
Due to related parties (Note 13b)	256,250	292,982
	$ 466,461	$ 489,871

During the year ended December 31, 2017, the Company settled several debts with creditors for a net gain of $92,556.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions

Details of the Company's transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

	December 31, 2018	December 31, 2017
Statements of Loss and Comprehensive Loss		
Management fees – officers' companies	$ 24,000	$ 24,000

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's Board of Directors approves these fees and any share-based compensation.

b) Related Party Balances

As at December 31, 2018, amounts payable to related parties of $256,250 (2017 - $292,982) represents fees owed/accrued to officers and their companies/law firm and also to advisory committee members. These liabilities are unsecured, non-interest bearing and due within 30 days.

As at December 31, 2018 and 2017, related parties were also invested in the convertible debentures (see Note 18).

14. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in Note 11.

b) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

15. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of components 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. There were no changes in the Company's approach to capital management during the years ended December 31, 2018 and 2017.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2018, the Company is not compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

16. FINANCIAL RISK FACTORS

a) Financial Instruments

The Company's financial instruments include cash, accounts payable and accrued liabilities, loans payable, convertible debentures and interest payable on convertible debentures. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. In addition, the Company's financial instruments that are carried at fair value consist of investments, classified as "level 1" within the fair value hierarchy.

b) Financial Risks

Risk exposures and the impact on the Company's financial instruments are summarized below.

<u>Credit Risk</u>
The Company's financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations. The Company does not use derivatives to manage credit risk.

<u>Liquidity Risk</u>
The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company has a substantial deficiency of financial liabilities over financial assets of $1,078,939 (2017 - $1,012,974); accordingly, liquidity risk is assessed as critical.

16. FINANCIAL RISK FACTORS (continued)

b) Financial Risks (continued)

As at December 31, 2018, the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's provision for indemnification of flow-through subscribers is recorded as a current liability though there is uncertainty regarding the actual amount and timing of the realization of this liability. The Company may potentially reduce its liquidity risk through additional private placements and debt settlements with creditors.

Market Risk
The Company's market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk

The Company has cash balances and fixed rate debentures. The Company's current policy is to periodically invest temporary cash surpluses in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices.

c) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

For the year ended December 31, 2018, a 10% change in the closing prices of its portfolio investments would result in an estimated change in net income (loss) of $1,375 (2017 - $3,200) based on the fair value of the investments held at December 31, 2018.

17. SEGMENTED INFORMATION

The Company's operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

18. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum which interest will be paid on maturity.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a "Unit") at a conversion price (the "Conversion Price") of $0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of $0.05 for the first 12 months and $0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same $0.05 and $0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Interest expense on the Debentures for the year ended December 31, 2018 was $16,721 (2017 – $14,000).

Assuming that $107,500 of the Debentures are subsequently converted by the holders at a $0.10 conversion price, and there is no share consolidation, this would result in the issuance of 1,075,000 Units, representing the equivalent of 1,075,000 common shares and 1,075,000 warrants (or a combined potential 2,150,000 common shares if all the warrants were subsequently exercised). No value has been assigned to the equity conversion option as the conversion rate substantively exceeds the market value of the equity and the limited time to maturity result in the value of the conversion option not being significant.

On June 30, 2015, the debenture holders agreed to extend the maturity of the debentures, under the same terms and conditions, to December 31, 2015. No further extensions have been given and therefore, the full balance of the convertible debentures has been presented as a current liability.

19. SUBSEQUENT EVENTS

On January 28, 2019, the Company entered into a loan agreement for proceeds of $10,000. The loan bears interest at 10% and is due May 28, 2019. The interest rate increases to 20% if repayment is not made by the due date.

On February 7, 2019, the Company entered into a loan agreement for proceeds of $9,850. The loan bears interest at 10% and is due June 7, 2019. The interest rate increases to 20% if repayment is not made by the due date.

On March 20, 2019, the Company entered into a loan agreement for proceeds of $5,000. The loan bears interest at 10% and is due July 18, 2019. The interest rate increases to 20% if repayment is not made by the due date.