55 North Mining Inc.

(Formerly SGX Resources Inc.)

Financial Statements

December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors exercises its responsibilities for financial controls and is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Scarrow & Donald LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

BD Reid

Bruce Reid
President & CEO, Director

Julio DiGirolamo CPA, CA
Chief Financial Officer

March 27, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 55 North Mining Inc.:

Opinion
We have audited the financial statements of 55 North Mining Inc. (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of net loss and comprehensive loss, statements of changes in equity and statements of 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 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, and 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 $227,216 (2017 - $285,604) during the year ended December 31, 2018, the Company's current liabilities exceeded its total assets by $2,495,385 (2017 - $2,591,076), and as of that date, the Company had a deficit of $30,381,573 (2017 - $30,154,357). 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 the Management's Discussion & 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. 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's, 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.

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 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 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 on the audit resulting in this independent auditor's report is Scott Smith.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 27, 2019

55 North Mining Inc.
(Formerly SGX Resources Inc.)
Statements of Financial Position
Expressed in Canadian dollars

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	**$ 246,034**	$ 5,140
GST/HST recoverable	**3,908**	4,494
Prepaids	**1,800**	1,800
	251,742	11,434
Fixed assets *(Note 4)*	**2,428**	3,884
	$ 254,170	$ 15,318
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 302,656**	$ 107,033
Advances payable *(Note 9)*	**357,165**	532,188
Due to related parties *(Note 9)*	**1,844,865**	1,844,865
Promissory note payable *(Note 9)*	**124,463**	118,424
Flow-through share premium liability *(Note 13)*	**117,978**	---
	2,747,127	2,602,510
Shareholders' equity		
Share capital *(Note 5)*	**27,814,616**	27,567,165
Contributed surplus	**74,000**	---
Deficit	**(30,381,573)**	(30,154,357)
	(2,492,957)	(2,587,192)
	$ 254,170	$ 15,318

Contingency *(Note 12)*

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

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On behalf of the Board:

"Bruce Reid" *"Sethu Raman"*

Bruce Reid
Director

Sethu Raman
Director

55 North Mining Inc.
(Formerly SGX Resources Inc.)
Statements of Loss and Comprehensive Loss
For the years ended December 31, 2018 and 2017
Expressed in Canadian dollars

	2018	2017
Expenditures		
General and administration	**$ 196,941**	$ 214,002
Depreciation	**1,456**	1,942
Interest expense	**6,046**	11,416
Exploration costs	**30,405**	58,244
Loss before taxes	**234,848**	**285,604**
Deferred tax recovery	**(7,632)**	---
Loss and comprehensive loss for the period	**$ 227,216**	$ 285,604
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)
Weighted average number of shares outstanding during the period – basic and diluted	**46,952,665**	45,064,723

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

55 North Mining Inc.
(Formerly SGX Resources Inc.)
Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
Expressed in Canadian dollars

	Share Capital	Contributed Surplus	Deficit	Total
Balance at December 31, 2016	**$27,567,165**	**$270,510**	**$(30,139,263)**	**$(2,301,588)**
Loss for the period	---	---	(285,604)	(285,604)
Expired/forfeited options *(Note 6)*	---	(270,510)	270,510	---
Balance at December 31, 2017	**$27,567,165**	**$ ---**	**$(30,154,357)**	**$(2,587,192)**
Loss for the period	**---**	**---**	**(227,216)**	**(227,216)**
Shares issued *(Note 5)*	**247,451**	**74,000**	**---**	**321,451**
Balance at December 31, 2018	**$27,814,616**	**$ 74,000**	**$(30,381,573)**	**$(2,492,957)**

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

55 North Mining Inc.

(Formerly SGX Resources Inc.)

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

Expressed in Canadian dollars

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	**$(227,216)**	$ (285,604)
Depreciation expense	**1,456**	1,942
Future tax recovery	**(7,632)**	---
Net change in non-cash working capital items:		
GST/HST recoverable	**586**	25,820
Prepaids	**---**	(1,800)
Accounts payable and accrued liabilities	**195,623**	(190,548)
Due to related parties	**---**	17,780
Promissory note payable	**6,039**	5,764
	(31,144)	(426,646)
INVESTING ACTIVITIES		
Purchase of fixed assets	**---**	(5,826)
	---	(5,826)
FINANCING ACTIVITIES		
Advances received (reimbursed)	**(175,023)**	437,188
Subscribed shares	**474,000**	---
Payment for share issue costs	**(26,939)**	---
	272,038	437,188
Net change in cash	**240,894**	4,716
Cash, beginning of year	**5,140**	424
Cash, end of year	**$ 246,034**	$ 5,140

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

1. CORPORATE INFORMATION

55 North Mining Inc. ("55 North" or the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008 as SGX Resources Inc. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

The Company's corporate head office is located at 401 Bay Street, Suite 2702, Toronto ON M5H 2Y4. The registered office of the Company is MLT Aikins LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company's shares were listed on the TSX Venture Exchange ("TSXV") and traded under the symbol "SXR". Trading was suspended on May 9, 2016.

At the shareholder meeting held on June 6, 2018, shareholders approved a name change to 55 North Mining Inc. and its ticker symbol was subsequently changed to "FFF".

Going Concern

For the year ended December 31, 2018, the Company had a loss of $227,216 (2017 - $285,604) and, as of that date, the Company's current liabilities exceeded its current assets by $2,495,385 (2017 - $2,591,076) and the Company had a deficit of $30,381,573 (2017 - $30,154,357). In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financing, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that might be necessary if the Company was unable to continue as a going concern. These adjustments could be material.

These financial statements of the Company for the twelve months ended December 31, 2018 were approved and authorized for issue by the Board of Directors of the Company on March 27, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

a) Basis of presentation:

The Company prepares it consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants Canada Handbook. These financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in preparation of these financial statements throughout all the periods presented. Critical accounting judgments and estimates used by management in the preparation of these financial statements are presented in Note 3.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All reference to dollars ($) are to Canadian dollars unless otherwise noted.

b) Cash

Cash consists of funds on deposit.

c) Fixed Assets

Fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The application of this policy requires an estimate of the useful life of the asset and its residual value. The Company provides for depreciation of computer equipment so as to apply the cost of the assets over the estimated useful lives on a straight-line basis over 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

d) Financial instruments

Financial assets must be classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income (loss) for the year in which they arise. Financial assets measured at amortized cost or those measured at FVTOCI, except for investment in equity instruments, at each balance sheet date requires an impairment analysis using the expected credit loss model ("ECL") to determine the expected credit losses using judgment determined on a probability weighting basis.

The Company has designated its cash as amortized cost, measured at amortized cost and has designated its accounts payable and accrued liabilities, advances payable, due to related parties and promissory note payable as amortized cost measured at amortized cost, which is reflected on the statement of financial position as amortized cost using the effective interest method of measurement.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current net loss.

e) Fair Value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

e) Fair Value

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

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

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

f) Income taxes

Current tax is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Mining taxes

Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

f) Income taxes (cont'd)

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) the flow-through share premium liability measured at fair value, which is recognized as a liability representing the sale of tax deductions, and ii) the residual proceeds are allocated as the value of the common shares issued. On issuance of a flow-through unit (consisting of a flow-through share and a warrant to purchase a common share), the Company allocates the flow-through unit into i) the flow-through share premium liability measured at fair value, which is recognized as a liability representing the sale of tax deductions, ii), and the estimated fair value of a warrant and common share using the relative fair value method. Upon qualifying expenses being incurred the Company derecognizes the flow-through share premium liability and recognizes a credit to deferred tax expense.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a liability until paid.

g) Revenue recognition

Interest income is recognized using the effective interest rate method.

h) Exploration expenditures and mining claims

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims are capitalized.

i) Impairment of non-financial assets

Mining claims are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. 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 for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

j) Provisions

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation because of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material, such as closure costs.

k) Share-based compensation plan and warrants

The fair value-based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid by the directors on exercise of the share option is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

l) Net loss per share

Basic net loss per share is calculated using the daily weighted average number of shares outstanding.

Diluted net loss per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options, warrants or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options or warrants to acquire shares.

m) Recent accounting pronouncements

New accounting standards effective in 2018

IFRS 9 - Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9") to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Company's financial statements were not affected by IFRS 9. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively with no restatement of comparative periods. As a result of the adoption of IFRS 9 there were no impact to the Company's financial statements.

IFRS 15 - Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15, a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively.

As the Company currently has no revenue streams there was no impact to the financial statements as a result of adopting IFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

m) Recent accounting pronouncements (cont'd)

Future changes to significant accounting policies

IFRS 16 – Leases - In January 2016, the IASB issued IFRS 16. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting under IFRS 16 is substantially unchanged, lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between an operating or finance lease. This standard will be effective for annual periods beginning on or after January 1, 2019.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right-of-use to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense or fair value gain (loss) on the right-of-use asset, depending on the balance sheet classification of the asset. The standard includes two recognition exemptions for leases; leases of 'low-value' assets and short-term leases. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company does not expect any impact from the adoption of IFRS 16 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net loss in the period in which they become known.

The recoverability of deferred expenditures is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and attaining profitable production.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax provision. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities could materially increase the flow-through premium liability and flow-through expenditure commitment.

The Company makes estimates as to the market value and inputs related to the valuation of share capital, flow-through share premium liability and the value associated with warrants issued at the time of issuance with respect to the volatility on the underlying common shares, risk free interest rate and forfeiture rates and market premiums paid for flow-through common shares. In establishing fair value management considers historical performance.

Expressed in Canadian dollars, unless otherwise indicated

4. FIXED ASSETS

		2018			2017	
		Cost	Accumulated depreciation		Cost	Accumulated depreciation
Computer equipment	$	5,826	$ (3,398)	$	5,826	$(1,942)
Balance, end of year			**$ 2,428**			**$ 3,884**

During the year ended December 31, 2017, $5,826 of computer equipment was purchased.

5. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares with each common share entitled to one vote.

b) Common shares issued:

	Number of Shares	Stated Capital
Balance, December 31, 2016 and 2017	**45,064,723**	**$27,567,165**
Shares issued in private placement	7,899,994	474,000
Share issue costs	---	(26,939)
Flow-through share premium liability	---	(125,610)
Value of associated warrants	---	(74,000)
Balance, December 31, 2018	**52,964,717**	**$27,814,616**

At the shareholder meeting held on June 6, 2018, shareholders approved the consolidation of the number of shares outstanding at a ratio of 3:1, with fractional shares being cancelled. The shares listed above are presented on a post-consolidation basis. The number of common shares, common shares issuable upon exercise of the outstanding options of the Company, and per common share amounts, were also proportionally adjusted to reflect the share consolidation for the year ended December 31, 2017.

On July 4, 2018, the Company closed a private placement offering for gross proceeds of $222,000 by the issuance of 3,699,994 Units at a price of $0.06 per Unit. Each Unit is comprised of one flow through common share and one non-flow-through purchase warrant entitling the holder to acquire one additional common share at a price of $0.07 per share for 24 months.

On December 24, 2018, the Company closed a private placement offering for gross proceeds of $102,000 by the issuance of 1,700,000 flow-through shares at a price of $0.06 per share.

On December 28, 2018, the Company closed a private placement offering for gross proceeds of $150,000 by the issuance of 2,500,000 flow-through shares at a price of $0.06 per share.

Expressed in Canadian dollars, unless otherwise indicated

6. SHARE OPTIONS

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

During the year ended December 31, 2017, 383,333 options expired unexercised, while no options were granted, cancelled or exercised in either 2018 or 2017. At December 31, 2018 and 2017, the Company had no stock options outstanding.

A summary of the status of the Company's outstanding options as at December 31, 2018 and December 31, 2017 and changes during the periods then ended are as follows:

	2018		2017	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Balance, beginning	**---**	**$ ---**	**383,333**	**$ 0.09**
Expired/forfeited	---	---	(383,333)	0.09
Balance, ending	**---**	**$ ---**	**---**	**$ ---**

7. WARRANTS

During the year ended December 31, 2018, the fair value of each warrant grant is initially estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0%, expected volatility of 100%, risk free interest rate of 1.91% and expected life of 2 years. The Company then uses the relative fair value method to value the warrants together with the value of the share capital issued.

A summary of the status of the Company's outstanding warrants as of December 31, 2018 and changes during the years then ended are as follows:

	2018		2017	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Balance, beginning	**---**	**$ ---**	**---**	**$ ---**
Granted	3,699,994	0.07	---	---
Balance, ending	**3,699,994**	**$ 0.07**	**---**	**$ ---**
Weighted average remaining life (years)		1.51		---

Expressed in Canadian dollars, unless otherwise indicated

8. INCOME TAXES

Income tax provision

The provision for income taxes reflects an effective rate that differs from the combined federal and provincial tax rates for the following reasons:

	2018	2017
Loss before income taxes	**$ (227,216)**	$ (285,604)
Combined statutory income tax rate	**26.50%**	26.50%
Income tax recovery using statutory income tax rates	**(60,200)**	(75,700)
Flow through share premium	**7,632**	---
Share issue costs and other	**(7,100)**	500
Valuation allowance	**52,036**	75,200
Deferred tax recovery	**$ (7,632)**	$ ---

Deferred income taxes

Significant components of the Company's deferred income tax asset (liability) are as follows:

	2018	2017
Non-capital losses	**$ 2,472,000**	$ 2,433,300
Canadian exploration and development expense pools	**2,740,100**	2,724,200
Share issuance costs	**5,700**	500
Deferred income tax asset	**5,217,800**	5,158,000
Valuation allowance	**(5,217,800)**	(5,158,000)
Deferred tax asset	**$ ---**	$ ---

The Company has non-capital loss carry forward amounts available for income tax purposes of $9,327,000 that expire $9,000 in 2028, $116,000 in 2029, $593,000 in 2030, $1,890,000 in 2031, $1,007,000 in 2032, $2,451,000 in 2033, $1,665,000 in 2034, $743,000 in 2035, $418,000 in 2036, $290,300 in 2037 and $204,000 in 2038. The Company has $10,340,000 (December 31, 2017 - $10,280,000) of unused cumulative Canadian exploration and development costs available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

9. RELATED PARTY TRANSACTIONS

Due to related parties includes $870,552 (December 31, 2017 - $870,552) due to Havilah Mining Corporation (formerly Klondex Canada Ltd. and formerly San Gold Corporation) ("Havilah") for exploration expenditures incurred on behalf of the Company. The amount is unsecured, non-interest bearing and due on demand. Havilah also holds a $100,000 promissory note from the Company. The promissory note bears interest at 5% and is due on demand. The promissory note is secured against the Companies 50% interest in certain mining claims. The promissory note payable includes $24,463 (December 31, 2017 - $18,424) of accrued interest due to Havilah. During the year $6,039 of interest was recorded (2017 - $5,764). Havilah owns and exercises control over approximately 27% of the issued and outstanding Common Shares and exerts significant influence over the Company.

Included in due to related parties is $20,000 (December 31, 2017 - $20,000) due to Wynnex Ltd. for advances to the Company that are unsecured, non-interest bearing and have no set terms of repayment. Wynnex is related as the owner is a former director of the Company. Also, included in due to related parties is $946,139 (December 31, 2017 - $946,139) payable to former officers and directors or companies controlled by former officers and directors for services and director's fees and $8,174 (December 31, 2017 - $8,174) payable to directors for expenses incurred on behalf of the Company.

9. RELATED PARTY TRANSACTIONS

Advances payable of $357,165 is made up of $115,298 due to directors of the Company and $241,867 due to a company in which directors of the Company are shareholders (2017 - $532,188 is made up of $95,000 due to directors of the Company and $437,188 due to a company in which directors of the Company are shareholders). Amounts were advanced to the Company for settlement of various liabilities as well as for general working capital purposes. The advances are unsecured, non-interest bearing and due on demand.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total fees for the year ended December 31, 2018 is $NIL (2017 - $50,000). Included in general and administrative expenses is $NIL (2017 - $54,515) in fees for administrative services paid to a company in which directors of the Company are shareholders.

10. CAPITAL MANAGEMENT

The Company's total negative capital balance of $2,492,957 (December 31, 2017 - negative capital balance of $2,587,192) consists of $27,814,616 (December 31, 2017 - $27,567,165) of share capital, contributed surplus of $74,000 (December 31, 2017 - $NIL) and a deficit of $30,381,573 (December 31, 2017 - $30,154,357).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

11. RISK MANAGEMENT AND FAIR VALUES

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are external sources of debt and equity. The funds are primarily used to finance working capital and capital expenditure requirements. The Company's current liabilities exceed its current assets by $2,495,385 (December 31, 2017 - $2,591,076).

Accounts payable and accrued liabilities, advances payable, due to related parties and promissory note payable are due within one year.

11. RISK MANAGEMENT AND FAIR VALUES

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining a promissory note with a fixed interest rate minimizes cash flow risk.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash, accounts payable, advances payable, due to related parties and promissory note payable approximate their recorded values as at December 31, 2018 and December 31, 2017 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at the end of the periods may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

Expressed in Canadian dollars, unless otherwise indicated

12. CONTINGENCY

In connection with an independent contractor agreement, a claim has been made against the Company for outstanding monies owing and severance (the “Claim”). The likelihood of loss and amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. In the opinion of the Company, potential liabilities that may result from this legal action has been adequately provided for and is not expected to have a material adverse effect on the Company's financial position.

An August 8, 2018, the Company announced that it had entered into an agreement (the "Agreement") with Havilah Mining Canada Ltd. ("Havilah", a subsidiary of Havilah Mining Corporation), whereby Havilah has agreed to acquire the remaining 50% interest in the Tully mining claims and mining lease located in Timmins, Ontario (the "Tully Property"), an exploration property in Ontario (the "Acquisition").

Under the terms of the Agreement, Havilah will acquire the Company’s legal and beneficial right, title and interest in and to all of the Company’s 50% in the Tully Property in exchange for consideration which includes payment of $200,000 in cash for the settlement of the Claim), and the waiver of outstanding liabilities owing to Havilah by the Company in the amount of approximately $970,552.

Additionally, pursuant to the terms of the Agreement, concurrent with the closing of the Acquisition, the Company is required to complete a non-brokered private placement (the "Placement") offering of 3,333,333 post-consolidation common shares of the Company to Havilah, at a price of $0.06 per common share, for aggregate gross proceeds of $200,000. Havilah currently owns 14,349,085 common shares of the Company representing approximately 27% of the issued and outstanding common shares.

Completion of the Acquisition and the Placement is subject to the satisfaction of certain conditions precedent as well as the approval of the TSX Venture Exchange. The Acquisition was expected to close on September 30, 2018, or such other date as the parties may agree upon. The closing has been delayed as the TSX Venture Exchange has not yet provided final approval.

13. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance, December 31, 2016 and 2017	**$ ---**
Flow-through share premium liability incurred on July 4, 2018	**58,830**
Flow-through share premium liability incurred on December 24, 2018	**27,030**
Flow-through share premium liability incurred on December 28, 2018	**39,750**
Settlement of flow-through share liability on incurring expenditures	**(7,632)**
Balance, December 31, 2018	**$117,978**

During the year ended December 31, 2018, the Company incurred $28,800 of qualified flow-through funded exploration expenditures, partially fulfilling its commitment under the flow-through financing on July 4, 2018. As at December 31, 2018, approximately $445,200 remains to be incurred on qualifying expenditures during fiscal 2019. The Company intends to fulfill its flow-through commitments within the given time constraints.

14. COMPARATIVE INFORMATION

Certain prior year expense figures were reclassified to conform to current period classifications.