LE MARE GOLD CORP.

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Le Mare Gold Corp.

Opinion

We have audited the consolidated financial statements of Le Mare Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated financial statements, which indicates that the Company incurred a net loss of $1,425,033 during the year ended December 31, 2018 and, as of that date, the Company has a working capital deficit of $302,226 and an accumulated deficit of $8,788,708. 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance consolidated conclusion thereon.

In connection with our audit of the consolidated 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, 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Lonny Wong.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 29, 2019

LE MARE GOLD CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash	47,016	54,857
GST receivable	28,701	75,126
Prepaid expenses	24,450	112,441
Total current assets	100,167	242,424
Non-current assets		
Reclamation deposit	11,000	–
Exploration and evaluation assets (Note 3)	1,098,643	–
Total non-current assets	1,109,643	–
Total assets	1,209,810	242,424
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	208,294	119,867
Loans payable (Note 4)	194,099	185,000
Total current liabilities	402,393	304,867
Shareholders' equity (deficit)		
Share capital	7,364,375	5,402,750
Share-based payment reserve	588,320	588,320
Warrants reserve	1,643,430	1,310,162
Deficit	(8,788,708)	(7,363,675)
Total shareholders' equity (deficit)	807,417	(62,443)
Total liabilities and shareholders' equity (deficit)	1,209,810	242,424

Nature and continuance of operations (Note 1)

Approved and authorized for issuance by the Board of Directors on April 29, 2019:

/s/ "David Greenway"
David Greenway, Director

/s/ "Bryson Goodwin"
Bryson Goodwin, Director

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

LE MARE GOLD CORP.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Expenses		
Consulting fees (Note 5)	204,684	827,268
General and administrative	19,070	29,561
Investor relations	37,428	1,118,535
Impairment of exploration and evaluation assets (Note 3)	–	2,251,379
Management fees (Note 5)	302,597	222,445
Professional fees	76,880	109,774
Rent	119,000	100,500
Share-based compensation (Note 7)	398,361	935,334
Transfer agent and filing fees	23,430	25,812
Travel	179,466	166,166
Total expenses	1,360,916	5,786,774
Loss before other income (expense)	(1,360,916)	(5,786,774)
Other income (expense)		
Foreign exchange gain (loss)	77	(28,105)
Interest expense	(5,753)	(1,190)
Write-off of GST receivable	(58,441)	–
Total other income (expense)	(64,117)	(29,295)
Net loss and comprehensive loss	(1,425,033)	(5,816,069)
Basic and diluted loss per share	(0.23)	(1.19)
Weighted average shares outstanding	6,234,579	4,881,462

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

LE MARE GOLD CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Warrants reserve	Shares issuable	Share subscriptions receivable	Deficit	Total shareholders' equity
	Number	Amount $	$	$	$	$	$	$
Balance, December 31, 2016	3,487,000	1,732,712	122,671	428,335	112,000	(67,000)	(1,547,606)	781,112
Share subscriptions received	–	–	–	–	–	67,000	–	67,000
Shares issued for private placements	882,400	1,344,366	–	861,634	–	–	–	2,206,000
Share issuance costs	–	(101,720)	–	–	–	–	–	(101,720)
Warrants issued as finder's fee	–	(52,603)	–	52,603	–	–	–	–
Shares issued for warrants exercised	520,000	214,410	–	(32,410)	(112,000)	–	–	70,000
Shares issued for mineral properties	354,000	890,400	–	–	–	–	–	890,400
Fair value of stock options granted	–	–	935,334	–	–	–	–	935,334
Shares issued for stock options exercised	620,000	1,375,185	(469,685)	–	–	–	–	905,500
Net loss for the year	–	–	–	–	–	–	(5,816,069)	(5,816,069)
Balance, December 31, 2017	5,863,400	5,402,750	588,320	1,310,162	–	–	(7,363,675)	(62,443)
Shares issued for private placement	6,380,216	957,032	–	333,268	–	–	–	1,290,300
Shares issued for mineral properties	5,000,000	850,000	–	–	–	–	–	850,000
Fair value of stock options granted	–	–	65,093	–	–	–	–	65,093
Shares issued for stock options exercised	400,000	154,593	(65,093)	–	–	–	–	89,500
Net loss for the year	–	–	–	–	–	–	(1,425,033)	(1,425,033)
Balance, December 31, 2018	17,643,616	7,364,375	588,320	1,643,430	–	–	(8,788,708)	807,417

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

LE MARE GOLD CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Operating activities		
Net loss	(1,425,033)	(5,816,069)
Items not involving cash:		
Impairment of exploration and evaluation assets	–	2,251,379
Share-based compensation	398,361	935,334
Write-off of GST receivable	58,441	–
Changes in non-cash working capital items:		
GST receivable	(12,016)	(63,339)
Prepaid expenses	87,991	(59,565)
Accounts payable and accrued liabilities	86,608	260,050
Net cash used in operating activities	(805,648)	(2,492,210)
Investing activities		
Exploration and evaluation asset expenditures	(246,824)	(1,024,619)
Reclamation deposits	(11,000)	–
Net cash used in investing activities	(257,824)	(1,024,619)
Financing activities		
Proceeds from loans payable	369,099	195,000
Repayment of loans payable	(360,000)	(350,805)
Proceeds from issuance of common shares	957,032	2,273,000
Proceeds from exercise of stock options	89,500	705,500
Proceeds from exercise of warrants	–	70,000
Share issuance costs	–	(101,720)
Net cash provided by financing activities	1,055,631	2,790,975
Decrease in cash	(7,841)	(725,854)
Cash, beginning of year	54,857	780,711
Cash, end of year	47,016	54,857
Non-cash investing and financing activities:		
Fair value of stock options reallocated to share capital from share-based payment reserve upon exercise	65,093	469,685
Fair value of warrants reallocated to share capital from warrants reserve upon exercise	–	32,410
Fair value of warrants issued as finder's fee	–	52,603
Stock options exercised to settle accounts payable	–	200,000
Shares issued pursuant to mineral property option agreements	850,000	890,400

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

1. Nature and Continuance of Operations

Le Mare Gold Corp. (formerly Southern Lithium Corp.) (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is in the business of acquiring and exploring mineral properties. The Company's registered address is Suite 310, 221 West Esplanade, North Vancouver, BC, V7M 3J3

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company has not generated any revenue from operations, has a working capital deficit of $302,226, and has an accumulated deficit of $8,788,708. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors, and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 1178796 B.C. Ltd. All significant inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

(b) Application of New IFRS

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective January 1, 2018 using the full retrospective method, with no significant impact on the Company's consolidated financial statements.

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of share-based compensation, and unrecognized deferred income tax assets.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The application of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

(f) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Expenditures (continued)

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs

The Company does not record any expenditures made by the farmee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

(g) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged in the consolidated statement of operations over the economic life of the related asset, through amortization using either the unit of production or the straight-line method. The obligation is increased for the accretion and the corresponding amount is recognized in the consolidated statement of operations.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the consolidated statement of operations.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

As at December 31, 2018 and 2017, the Company has no material restoration, rehabilitation, and environmental obligations.

2. Significant Accounting Policies (continued)

(h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss (“FVTPL”) or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(i) Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2. Significant Accounting Policies (continued)

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the consolidated statement of operations with a pro-rata portion of the deferred premium.

(l) Reclassifications

Certain of the prior period amounts have been reclassified to conform to the current period's presentation.

(m) Loss Per Share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. As at December 31, 2018, the Company had 6,879,744 (2017 – 1,732,268) potentially dilutive shares outstanding.

2. Significant Accounting Policies (continued)

(n) Share-based Payments

The Company grants share-based awards to employees, directors, and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of operations with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(o) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. The Company does not have items representing comprehensive income or loss.

(p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018 and have not been applied in preparing these consolidated financial statements.

New standard IFRS 16, "Leases"

The Company has not early adopted this new standard and it is not expected to have a significant impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Exploration and Evaluation Assets

	Le Mare Property $	East Fault Property $	Cruz Property $	Total $
Acquisition costs:				
Balance, December 31, 2016	–	66,010	270,350	336,360
Additions	–	750,000	140,400	890,400
Impairment	–	(816,010)	(410,750)	(1,226,760)
Balance, December 31, 2017	–	–	–	–
Additions	900,000	–	–	900,000
Balance, December 31, 2018	900,000	–	–	900,000
Exploration costs:				
Balance, December 31, 2016	–	–	–	–
Additions			1.024.619	1.024.619
Impairment	–	–	(1,024,619)	(1,024,619)
Balance, December 31, 2017	–	–	–	–
Assays	6,256	–	–	6,256
Equipment rental, fuel, and camp costs	77,319	–	–	77,319
Drilling	48,418			48,418
Geological	10,500	–	–	10,500
Labour	56,150	–	–	56,150
Balance, December 31, 2018	198,643	–	–	198,643
Carrying amounts:				
Balance, December 31, 2017	–	–	–	–
Balance, December 31, 2018	1,098,643	–	–	1,098,643

Le Mare Property

On March 11, 2018, the Company entered into a mineral property option agreement to acquire a 100% interest in 12 mineral claims located in the Nanaimo Mining Division. Under the terms of the agreement, the Company issued 5,000,000 common shares with a fair value of $850,000 and pay $50,000 to the optionor. In addition, the Company agreed to pay an additional $200,000 and incur at least $100,000 in exploration expenditures on the property on or before March 11, 2021 (incurred). The optionor retains a 3% net smelter return (“NSR”) royalty on the property. The Company may purchase one-half of the NSR royalty by paying the optionor $1,500,000.

3. Exploration and Evaluation Assets (continued)

East Fault Property

On July 8, 2016, the Company entered into a letter of intent to acquire a 100% interest in the 2,100 acre East Fault Property located in Clayton Valley, Nevada, USA. On January 16, 2017 (the "Closing Date"), the Company entered into a definitive agreement where, the Company may earn 100% interest in the property as follows:

- pay US$50,000 to the optionor (paid);
- issue 30,000 common shares to the property owner on or before 30 days of the Closing Date (issued);
- issue 270,000 common shares to the optionor on or before 30 days of the Closing Date (issued); and
- the property is subject to a 2.5% net smelter royalty.

During the year ended December 31, 2017, the Company declined to pay the lease costs on the property. As a result, the Company recorded an impairment loss of $816,010 on the East Fault Property, which has been reflected on the consolidated statement of operations for the year ended December 31, 2017.

Cruz Property

On November 10, 2016, the Company entered into a Definitive Agreement with Proyecto Pastos Grandes S.A. (“PPG SA”), a wholly owned subsidiary of Millennial Lithium (TSX-V: ML), to be granted an option to acquire an 80% interest in PPG SA’s Cruz property in the Pocitos salar basin in Salta Province, Argentina. Under the terms of the Definitive Agreement, the Company may earn a 70% interest in the property as follows:

- pay $150,000 prior to the execution of the agreement (paid);
- pay $50,000 upon execution of the agreement (paid);
- issue 54,000 shares to PPG SA or Millennial (issued);
- deposit $500,000 in exploration funds to a Joint Account upon the date that is earlier of: (i) the day after the closing of the first tranche of the Company's private placement financing announced on November 1, 2016; or (ii) November 30, 2016 (deposited);
- incur a minimum of $500,000 in exploration expenditures on or before October 1, 2017 (incurred);
- pay the optionor $1,000,000 on or before October 1, 2017; and
- pay the optionor $1,000,000 on or before October 1, 2018.

An additional 10% interest in the property may be earned if the Company completes a bankable feasibility study on or before six months after November 10, 2019.

During the year ended December 31, 2017, the Company decided not to pursue further exploration on the mineral property due to the lack of commercial viability. As a result, the Company recorded an impairment loss of $1,435,369 on the Cruz Property, which has been reflected on the consolidated statement of operations for the year ended December 31, 2017.

4. Loans Payable

(a) On July 17 and August 22, 2018, the Company received $18,000 and $100,000 in loans, respectively, from a director of the Company, which are unsecured, non-interest bearing, and due on demand. On September 10, 2018, the Company repaid $100,000 of the outstanding loan. As at December 31, 2018, the Company owed $18,000 (2017 - $nil).

4. Loans Payable (continued)

(b) On September 10, 2018, the Company received a $200,000 loan from a non-related party, which is unsecured, bears interest at 15% per annum, and is due on demand. On September 13, 2018, the Company repaid $75,000 of the amount owed. As at December 31, 2018, the Company owed $125,000 (2017 - $nil). As at December 31, 2018, accrued interest of $5,753 has been recorded in accounts payable and accrued liabilities.

(c) On September 10, 2018, the Company repaid the $185,000 loan to a director of the Company which was outstanding as of December 31, 2017, and received a $51,099 loan which is unsecured, non-interest bearing, and due on demand. As at December 31, 2018, the Company owed $51,099 (2017 - $185,000).

5. Related Party Transactions

(a) As at December 31, 2018, the amount of $21,094 (2017 - $nil) is owed to the Chief Executive Officer of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities. During the year ended December 31, 2018, the Company incurred management fees of $180,000 (2017 - $nil) to the Chief Executive Officer of the Company.

(b) As at December 31, 2018, the amount of $87,060 (2017 - $nil) is owed to a director of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities.

(c) As at December 31, 2018, the amount of $51,005 (2017 - $16,321) is owed to a company controlled by the Chief Financial Officer of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities. During the year ended December 31, 2018, the Company incurred management fees of $120,000 (2017 - $120,000) to a company controlled by the Chief Financial Officer of the Company.

(d) As at December 31, 2018, the amount of $nil (2017 - $15,750) is owed to a former director of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities. During the year ended December 31, 2018, the Company incurred management fees of $nil (2017 - $78,200) to this former director.

(e) During the year ended December 31, 2018, the Company incurred management fees of $nil (2017 - $11,745) to a company controlled by the former President of the Company.

(f) During the year ended December 31, 2018, the Company incurred management fees of $nil (2017 - $12,500) and consulting fees of $nil (2017 - $12,500) to a former director of the Company.

(g) During the year ended December 31, 2018, the Company incurred consulting fees of $90,000 (2017 - $nil) to a company controlled by the spouse of the Chief Financial Officer of the Company.

(h) During the year ended December 31, 2018, the Company granted nil (2017 – 220,000) stock options with a fair value of $nil (2017 - $269,512) to officers and directors of the Company.

(i) On December 31, 2018, the Company issued 333,333 flow-through units at $0.15 per unit for proceeds of $50,000 to a director of the Company.

(j) On December 31, 2018, the Company issued 954,208 units at $0.15 per unit for proceeds of $143,131 to the Chief Executive Officer of the Company, which included 666,667 flow-through units.

(k) On December 31, 2018, the Company issued 666,666 units at $0.15 per unit for proceeds of $100,000 to a company controlled by the Chief Executive Officer of the Company.

5. Related Party Transactions (continued)

(l) On February 16, 2018, the Company granted 100,000 stock options with a fair value of $15,595 to a company controlled by the spouse of the Chief Financial Officer of the Company. The stock options were exercised for proceeds of $22,000.

6. Share Capital

Authorized: Unlimited common shares without par value

Share transactions for the year ended December 31, 2018:

(a) On February 14, 2018, the Company issued 100,000 common shares for proceeds of $22,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of $18,307 was reallocated from the share-based payment reserve to share capital.

(c) On February 27, 2018, the Company issued 300,000 common shares for proceeds of $67,500 pursuant to the exercise of stock options. The fair value of the stock options exercised of $46,786 was reallocated from the share-based payment reserve to share capital.

(d) On December 31, 2018, the Company issued 6,380,216 units at $0.15 per unit for proceeds of $957,032. Of the units that were issued, 1,333,334 are flow-through units. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $0.20 for a period expiring on December 31, 2020. The fair value of the share purchase warrants issued of $330,428 was allocated to warrants reserve. The Company issued 766,667 units at $0.15 per unit for proceeds of $115,000 to a company controlled by the former Chief Financial Officer of the Company, which included 166,667 flow-through units. The Company issued 1,259,342 units at $0.15 per unit for proceeds of $188,901 to a company controlled by the spouse of the former Chief Financial Officer of the Company, which included 166,667 flow-through units.

(e) On December 31, 2018, the Company issued 5,000,000 common shares with a fair value of $850,000 pursuant to the terms of the mineral option agreement for the Le Mare Property.

Share transactions for the year ended December 31, 2017

(f) During the year ended December 31, 2017, the Company received share subscription proceeds of $67,000 which was receivable as at December 31, 2016.

(g) On February 6, 2017, the Company issued 300,000 common shares with a fair value of $750,000 pursuant to the terms of the mineral option agreement for the East Fault Property.

(h) On February 27, 2017, the Company issued 54,000 common shares with a fair value of $140,400 pursuant to the terms of the mineral option agreement for the Cruz Property.

(i) On May 23, 2017, the Company issued 413,800 units at $2.50 per unit for proceeds of $1,034,500. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $3.50 per share expiring on November 23, 2018. The fair value of the share purchase warrants issued of $447,889 was allocated to warrants reserve. Pursuant to the issuance, the Company incurred $24,400 and issued 9,760 finders' warrants with a fair value of $17,140 as share issuance costs. The finders' warrants are exercisable at $3.50 per common share and expire on November 23, 2018.

6. Share Capital (continued)

Share transactions for the year ended December 31, 2017 (continued):

(j) On August 18, 2017, the Company issued 468,600 units at $2.50 per unit for proceeds of $1,171,500. Each unit consist of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $3.50 for a period expiring on February 18, 2019. The fair value of the share purchase warrants issued of $416,283 was allocated to warrants reserve. Pursuant to the issuance, the Company incurred $77,320 and issued 30,928 finders' warrants with a fair value of $35,463 as share issuance costs. The finders' warrants are exercisable at $3.50 per common share and expire on February 18, 2019.

(k) During the year ended December 31, 2017, the Company issued 540,000 common shares for proceeds of $705,500 and 80,000 common shares for settlement of accounts payable of $200,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of $469,685 was reallocated from share-based payment reserve to share capital.

(l) During the year ended December 31, 2017, the Company issued 520,000 common shares for proceeds of $182,000 pursuant to the exercise of share purchase warrants, of which $112,000 had been received as at December 31, 2016. The fair value of the share purchase warrants exercised of $32,410 was reallocated from warrants reserve to share capital.

(m) On December 11, 2017, the Company consolidated its common shares on the basis of 1 new share for every 10 existing shares. All share and per share numbers have been retroactively restated for all periods presented.

Reserves

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

7. Stock Options

Pursuant to the Company's stock option plan dated June 30, 2011, the Company may grant stock options to directors, senior officers, employees, and consultants. The maximum aggregate number of common shares which may be reserved for issuance as optioned shares at any time is 10% of the issued common shares. The exercise price of any stock options granted under the plan shall be determined by the Board, but may not be less than the market price of the common shares on the TSX-V on the date of grant (less any discount permissible under TSX-V rules), subject to a minimum exercise price of $0.10 per share. The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed five years. The plan contains no vesting requirements, but permits the Board to specify a vesting schedule at its discretion.

7. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2016	180,000	1.10
Granted	952,500	1.77
Exercised	(620,000)	1.46
Expired	(60,000)	2.41
Outstanding, December 31, 2017	452,500	0.18
Granted	400,000	0.22
Exercised	(400,000)	0.22
Expired	(452,500)	1.83
Outstanding, December 31, 2018	–	–

During the year ended December 31, 2018, the Company recorded share-based compensation of $398,361 (2017 - $935,334). The weighted average grant date fair value of stock options granted during the year ended December 31, 2018 was $0.16 (2017 - $0.98) per option. The weighted average fair value of shares for stock options exercised during the year ended December 31, 2018 was $154,593 (2017 - $1,375,184).

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2018	2017
Risk-free interest rate	1.69%	1.17%
Expected volatility	149%	145%
Expected option life (in years)	1	1

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2016	876,680	2.20
Issued	923,088	3.50
Exercised	(520,000)	3.50
Balance, December 31, 2017	1,279,768	3.50
Issued	6,380,216	0.20
Cancelled	(780,240)	3.50
Balance, December 31, 2018	6,879,744	0.44

8. Share Purchase Warrants (continued)

As at December 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
499,528	3.50	February 18, 2018
6,380,216	0.20	December 31, 2020
6,879,744		

9. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, GST receivable, and accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and GST receivable. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. GST receivable consists of GST refunds due from the Government of Canada.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(d) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. A portion of the Company's cash and accounts payable and accrued liabilities is denominated in US dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk. As at December 31, 2018, the Company is not exposed to any significant foreign exchange rate risk.

9. Financial Instruments and Risk Management (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. Capital Management

The Company's capital structure consists of cash and equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and exploration 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 interests 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 interests 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 since inception. The Company is not subject to externally imposed capital requirements.

11. Income Taxes

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. The components of these differences are as follows:

	2018	2017 $
Canadian statutory income tax rate	27%	26%
Income tax recovery at statutory rate	(384,759)	(1,512,178)
Tax effect of:		
Permanent differences and other	114,493	210,428
Change in enacted tax rates	–	(67,205)
Change in unrecognized deferred tax assets	270,266	1,368,955
Income tax provision	–	–

11. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2018 $	2017 $
Deferred income tax assets:		
Non-capital losses carried forward	1,243,122	967,363
Exploration and evaluation assets	625,942	625,942
Share issuance costs	16,478	21,971
Unrecognized deferred income tax assets	(1,885,542)	(1,615,276)
Net deferred income tax asset	–	–

As at December 31, 2018, the Company has non-capital losses carried forward of $4,604,156 which are available to offset future years' taxable income. These losses expire as follows:

	$
2030	50,623
2031	149,010
2032	77,340
2033	84,194
2034	81,988
2035	77,376
2036	435,335
2037	2,626,960
2038	1,021,330
	4,604,156

The Company also has available mineral resource related expenditure pools totalling $3,416,945, which may be deducted against future taxable income on a discretionary basis.