American Pacific Mining Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
American Pacific Mining Corp.

Opinion

We have audited the accompanying consolidated financial statements of American Pacific Mining Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018 and the period from incorporation on July 1, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated 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 year ended December 31, 2018 and the period from incorporation on July 1, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $3,652,663 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was $4,093,290. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated 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 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 Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 29, 2019

American Pacific Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		**December 31, 2018**		December 31, 2017
ASSETS				
Current assets				
Cash	**$**	**135,556**	$	3,414,736
Term deposits		**500,000**		-
Amounts receivable		**52,498**		-
Subscriptions receivable (notes 7 and 8)		**-**		19,000
Prepaid expenses		**16,451**		316,633
		704,505		3,750,369
Non-current assets				
Reclamation deposit (note 4)		**27,260**		-
Equipment (note 5)		**6,413**		-
Exploration and evaluation assets (note 6)		**583,736**		25,000
		617,409		25,000
TOTAL ASSETS	**$**	**1,321,914**	$	3,775,369
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 9)	**$**	**173,438**	$	134,582
Non-current liabilities				
Convertible notes (notes 7 and 8)		**-**		500,023
TOTAL LIABILITIES		**173,438**		634,605
EQUITY				
Equity portion of convertible notes (notes 7 and 8)		**-**		362,381
Subscriptions received in advance (notes 7 and 8)		**-**		126,500
Share capital (notes 8)		**4,656,090**		532,332
Stock options reserve (notes 8)		**618,769**		-
Warrants reserve (notes 8)		**28**		2,560,178
Accumulated deficit (notes 8)		**(4,093,290)**		(440,627)
Accumulated other comprehensive loss		**(33,121)**		-
TOTAL EQUITY		**1,148,476**		3,140,764
TOTAL EQUITY AND LIABILITIES	**$**	**1,321,914**	$	3,775,369

Corporate information and continuance of operations (note 1)
Commitments (note 6)
Segmented information (note 10)
Subsequent events (notes 1, 6 and 14)

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

These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Warwick Smith Director *   /s/ Alnesh Mohan Director*

American Pacific Mining Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended December 31, 2018	From the date of incorporation on July 1, 2017 to December 31, 2017
EXPENSES		
Accretion of interest (note 7)	**$ 19,347**	$ 2,247
Bank charges	**3,273**	1,406
Consulting fees (note 9)	**532,652**	78,553
Depreciation (note 5)	**1,484**	-
Exploration and evaluation costs (note 6)	**1,157,434**	-
Foreign exchange loss	**7,549**	2,250
General and administrative costs	**87,266**	879
Professional fees (note 9)	**295,937**	109,565
Project evaluation costs	**10,898**	161,835
Share-based payments (note 8)	**618,769**	-
Shareholder information and investor relations (note 9)	**658,259**	76,822
Transfer agent, regulatory and listing fees	**156,190**	-
Travel	**106,290**	7,070
	3,655,348	440,627
OTHER INCOME		
Finance income	**(2,685)**	-
LOSS FOR THE PERIOD	**$ 3,652,663**	$ 440,627
OTHER COMPREHENSIVE EXPENSES (INCOME)		
Foreign currency translation differences for foreign operations	**$ (1,349)**	$ -
Fair value decrease on investment at FVTOCI (note 6)	**34,470**	-
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ 3,685,784**	$ 440,627
Basic and diluted loss per share for the year attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**$ 0.12**	$ 0.10
Weighted average number of common shares outstanding (basic and diluted)	**29,230,297**	4,280,653

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

American Pacific Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital				Reserves				
	Note(s)	Number of shares	Amount	Equity portion of convertible notes	Subscriptions received in advance	Options	Warrants	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Incorporator share, July 1, 2017		1	$ 1	$ -	-		$ -	$ -	-	**$ 1**
Shares issued for cash		10,230,000	511,500	-	-		-	-	-	**511,500**
Share issue costs		-	(4,169)	-	-		-	-	-	**(4,169)**
Shares issued for exploration and evaluation assets		500,000	25,000	-	-		-	-	-	**25,000**
Warrants issued for cash		-	-	-	-		2,663,750	-		**2,663,750**
Warrant issue costs		-	-	-	-		(103,572)	-		**(103,572)**
Equity portion of convertible debentures		-	-	362,381	-		-	-		**362,381**
Subscriptions received in advance		-	-	-	126,500		-	-		**126,500**
Share-based payments		-	-	-	-		-	-		**-**
Net loss for the period		-	-	-	-		-	(440,627)		**(440,627)**
Balance at December 31, 2017		**10,730,001**	**$ 532,332**	**$ 362,381**	**$ 126,500**	**$ -**	**$ 2,560,178**	**$ (440,627)**	**$ -**	**$ 3,140,764**
Share issue costs	8	-	(4,119)	-	-	-	-	-	-	**(4,119)**
Shares issued for exploration and evaluation assets	6 and 8	1,766,666	401,333	-	-	-	-	-	-	**401,333**
Shares issued for investor relations services	8	200,000	40,000	-	-	-	-	-	-	**40,000**
Warrants issued for cash	8	-	-	-	(120,000)	-	177,500	-	-	**57,500**
Warrant issue costs	8	-	-	-	-	-	(26,554)	-	-	**(26,554)**
Fair value of finders' warrants	8	-	(28)	-	-	-	28	-	-	**-**
Shares issued for warrant exercise	8	11,365,000	2,711,124	-	-	-	(2,711,124)	-	-	**-**
Equity portion of convertible debentures	7 and 8	-	-	39,475	(6,500)	-	-	-	-	**32,975**
Shares issued for conversion of convertible debentures	7 and 8	9,690,000	975,448	(401,856)	-	-	-	-	-	**573,592**
Share-based payments	8	-	-	-	-	618,769	-	-	-	**618,769**
Net loss for the year		-	-	-	-	-	-	(3,652,663)	-	**(3,652,663)**
Other comprehensive loss for the year		-	-	-	-	-	-	-	(33,121)	**(33,121)**
Balance at December 31, 2018		**33,751,667**	**$ 4,656,090**	**$ -**	**$ -**	**$ 618,769**	**$ 28**	**$ (4,093,290)**	**$ (33,121)**	**$ 1,148,476**

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

American Pacific Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the year ended December 31, 2018		From the date of incorporation on July 1, 2017 to December 31, 2017
Cash flows provided from (used by):				
OPERATING ACTIVITIES				
Net loss for the period	$	**(3,652,663)**	$	(440,627)
Adjustments for items not affecting cash:				
Depreciation		**1,484**		-
Share-based payments		**618,769**		-
Accretion of interest		**19,347**		2,247
Effect of currency exchange rate changes on reclamation deposit		**(2,657)**		-
Consulting fees paid by common shares		**40,000**		-
Net changes in non-cash working capital items:				
Amounts receivable		**(52,498)**		-
Prepaid expenses		**300,182**		(316,633)
Accounts payable and accrued liabilities		**66,386**		107,052
Net cash flows used in operating activities		**(2,661,650)**		(647,961)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares, net of cash share issue costs		**(7,489)**		491,702
Proceeds on issuance of convertible notes, net of cash issuance costs		**81,262**		866,092
Proceeds on issuance of warrants, net of cash issuance costs		**12,721**		2,578,403
Subscription receivable		**19,000**		126,500
Net cash flows from financing activities		**105,494**		4,062,697
INVESTING ACTIVITIES				
Purchase of equipment		**(7,897)**		-
Reclamation deposits		**(24,603)**		-
Exploration and evaluation assets		**(190,034)**		-
Term deposit		**(500,000)**		-
Net cash flows used in investing activities		**(722,534)**		-
Effects of exchange rate changes on cash		**(490)**		-
Net decrease in cash		**(3,279,180)**		3,414,736
Cash, beginning of period		**3,414,736**		-
Cash, end of period	$	**135,556**	$	3,414,736
Cash paid during the period for interest	$	**-**		-
Cash paid during the period for income taxes	$	**-**		-
Supplementary cash flow information				
Shares issued for conversion of convertible debentures	$	**975,448**	$	-
Shares issued for conversion of special warrants	$	**2,711,124**	$	-
Shares issued for exploration and evaluation assets	$	**401,333**	$	25,000
Investment received in exchange of evaluation and exploration assets	$	**32,506**	$	-
Share issue costs included in accounts payable and accrued liabilities	$	**-**		3,370
Warrant issue costs included in accounts payable and accrued liabilities	$	**-**		18,225
Fair value of finders' warrants	$	**28**		-
Convertible note issue costs included in accounts payable and accrued liabilities	$	**-**		5,935

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

American Pacific Mining Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 1, 2017, and is in the business of mineral exploration and development.

The Company's head office, principal address, registered address and records office is Suite 910 - 510 Burrard Street, Vancouver, B.C., V6C 3A8, Canada.

As of the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurance these efforts will be successful. Further, the Company incurred a net loss of $3,652,663 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was $4,093,290. These uncertainties may cast significant doubt about the entities ability to continue as a going concern.

These consolidated financial statements of the Company for the year ended December 31, 2018 were approved by the Board of Directors on April 29, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements of the Company have been prepared on the historical cost basis except for certain noncurrent assets which are measured at fair value. In addition, these financial statements are presented in Canadian dollars which is also the Company's functional currency.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- American Pacific Mining (US) Inc. ("APM US")

APM US was incorporated on January 13, 2018 in in the State of Nevada, United States of America and has a reporting date of December 31. APM US is engaged principally in the acquisition and exploration of mineral properties in the State of Nevada, United States of America.

Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Acquisitions and disposals

The results of entities acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of entities sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates (continued)

Carrying value and recoverability of exploration and evaluation assets (continued)

Ownership in evaluation and exploration assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its evaluation and exploration assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of evaluation and exploration assets carrying values.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Measurement of liabilities for share-based payment arrangements

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

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is the Canadian dollar, as this is the currency of the primary economic environment in which the Company operates. The functional currency of the Company's subsidiary is the US dollar.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting judgments (continued)

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Foreign exchange

Functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined the functional currency of the Company and its subsidiaries based on the currency of the primary economic environment in which the Company operates.

Following is the summary of the functional currency of the Company and its subsidiaries:

- American Pacific Mining Corp. Canadian dollars ("CAD")
- American Pacific Mining (US) Inc. US dollars ("USD")

The consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the Company.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Computer equipment - 30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

Exploration and evaluation assets

During the year ended December 31, 2018, the Company retroactively changed its accounting policy relating to exploration and evaluation assets as follows (Note 3).

Evaluation and exploration assets
Evaluation and exploration assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) to acquire or maintain mineral rights is capitalized. The amounts shown for evaluation and exploration assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of evaluation and exploration assets is the cost of any estimated decommissioning liability. The Company has classified evaluation and exploration assets as intangible in nature.

At each reporting period the Company performs an analysis to determine whether any property has adequately demonstrated technical feasibility and economic viability in order to support transition from Exploration to Development phase. If a project has satisfied these criteria and management has decided to proceed with development, then the exploration project is tested for impairment and transferred to property and equipment. Subsequent expenditures on the property are capitalized. Once a project in development is available for use in the manner intended by the management of the Company it is transitioned to Commercial Production phase. At that time depletion of costs capitalized on project put into commercial production will be recorded using the unit-of-production method based upon reserves.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Exploration and evaluation assets (continued)

Evaluation and exploration costs
Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration costs are capitalized as deferred development expenditures included within equipment.

Impairment of long-lived assets

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

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

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented the Company has no provisions for environmental rehabilitation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Financial instruments

The following table shows the classification of financial instruments under IFRS 9:

	Original classification under IAS 39	New classification IFRS 9
Financial assets:		
Cash	Fair value through profit or loss	Fair value through profit or loss
Term deposits	N/A	Amortized cost
Amounts receivable	N/A	Amortized cost
Subscriptions receivable	Loans and receivables, measured at amortized cost	Amortized cost
Reclamation deposit	N/A	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Financial liabilities, measured at amortized cost	Amortized cost
Convertible notes	Financial liabilities, measured at amortized cost	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

a) Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the statement of loss and comprehensive loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the statement of loss and comprehensive loss 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.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

b) Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities and convertible notes are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Refer to Note 12 for the required disclosures

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Change to accounting policy

During the year ended December 31, 2018, the Company retroactively changed its accounting policy for evaluation and exploration assets, in accordance with IAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"*. The Company's previous accounting policy was to capitalize exploration and evaluation expenditures. The new policy is to expense such expenditures as incurred. Details of the new policy are described in note 2. The Company believes the financial information under the new accounting policy will provide more relevant presentation of the Company's exploration activities.

As the Company had no exploration and evaluation expenditures incurred during the year ended December 31, 2017, the change in accounting policy of exploration and evaluation expenditures had no impacts on the Company's statements of financial position, statements of loss and comprehensive loss, statement of change in equity and statement of cash flow for the year ended December 31, 2017.

New accounting standards not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company:

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company completed an assessment and concluded that no significant change to its financial statements from adopting this new standard.

- IFRIC 23 – Uncertainty over Income Tax Treatments: This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that no significant change to its financial statements from adopting this new standard.

4. RECLAMATION DEPOSITS

The Company has reclamation deposits of $27,260 (US$20,000). These bonds were put up as collateral for the Tuscarora project in the event of future operations (December 31, 2017 – $nil).

(Expressed in Canadian Dollars)

5. EQUIPMENT

		Computer equipment
Cost		
As at December 31, 2017 and 2016	$	-
Additions		7,897
Balance as at December 31, 2018	**$**	**7,897**
Depreciation		
As at December 31, 2017 and 2016	$	-
Charged for the year		(1,484)
Balance as at December 31, 2018	**$**	**(1,484)**
Net book value		
As at December 31, 2017	$	-
As at December 31, 2018	**$**	**6,413**

6. EXPLORATION AND EVALUATION ASSETS

		South Lida claims		Tuscarora property		JPL Property		Total
Balance as at July 1, 2017	$	-	$	-	$	-	$	-
Acqusition costs								-
- shares		25,000		-		-		**25,000**
Balance as at December 31, 2017	$	**25,000**	$	-	$	-	$	**25,000**
Acqusition costs								-
- cash		-		130,452		19,354		**149,806**
- shares		300,000		101,333		-		**401,333**
Staking costs		6,997		19,954		13,277		**40,228**
Disposal		-		-		(32,506)		**(32,506)**
Effect of movements in exchange rates		-		-		(125)		**(125)**
Balance as at December 31, 2018	$	**331,997**	$	**251,739**	$	-	$	**583,736**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

South Lida claims (Nevada, US)

On July 1, 2017, the Company entered into a Claims Purchase Agreement (the "Claims Purchase Agreement") with David Saderholm (the "Trustee"), Eric Saderholm, Patricia Saderholm, Warwick Smith and Tarin Smith (collectively, the "Vendors") (the "Claims Purchase Agreement") whereby the Vendors agreed to sell the South Lida Property in exchange for shares in the Company.

Under the Claim Purchase Agreement, the Company will issue to the Vendors a total of 3,000,000 common shares (the "Property Shares") as follows:

a) 500,000 Property Shares on July 1, 2017 (issued (Note 8));
b) 500,000 Property Shares on the listing date (issued (Note 8));
c) 1,000,000 Property Shares on the earlier of (i) six months after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser (issued (Note 8)); and
d) 1,000,000 Property Shares on the earlier of (i) the one-year anniversary after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser. (issued on March 8, 2019 (Note 14))

The acquisition of the South Lida property is a related party transaction as two of the Vendors are officers and directors of the Company.

Tuscarora property (Nevada, US)

On November 6, 2017, the Company entered into an option agreement (the "Option Agreement") with Novo Resources Corp. Pursuant to the Option Agreement, Novo Resources Corp. will grant the Company the exclusive right and option to acquire a 100% right, title, and interest in and to the Tuscarora Property (the "Option").

In consideration of the Option, the Company will:

a) make cash payments to Novo Resources Corp. of $375,000, in three equal installments of $125,000 as follows:

    (i) the first instalment due on the earlier of the listing date and January 31, 2018 (Paid on January 24, 2018);
    (ii) the second instalment due on the earlier of the first anniversary of the listing date and January 31, 2019 (Paid subsequent to December 31, 2018); and
    (iii) the third instalment due on the earlier of the second anniversary of the listing date and January 31, 2020;

b) issue 800,000 common shares of the Company to Novo Resources Corp. in three equal instalments, with one-third issued on each of the listing date (issued (Note 8)) and the first (issued on March 8, 2019 (Note 14)) and second anniversaries of the listing date; and

c) incur USD$100,000 in expenditures on the property annually, starting on the twelve-month period commencing on the first anniversary of the listing date and per each successive twelve-month period thereafter.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Tuscarora property (Nevada, US) (continued)

The property is subject to net smelter returns royalties of 0.5%.

In addition, the Company is also required to make the following payments to the Ely Gold Royalties ("Ely Gold"), the owner of the Tuscarora property:

a) Annual minimum royalty payments

On or before:			
November 7, 2018	$	4,000	Payment made subsequent to December 31, 2018
November 7, 2019		4,000	
November 7, 2020		4,000	
November 7, 2021		8,000	
November 7, 2022		8,000	
November 7, 2023		8,000	
November 7, 2024		8,000	
November 7, 2025		8,000	
November 7, 2026 and each succeeding anniversary		12,000	

b) Production royalty based on the net smelter returns from the production and sale of minerals from the Tuscarora property. The royalty percentage rate for precious metals is based on the average daily price per troy ounce of gold during the period of production of minerals from the Tuscarora property for which the royalty is payable as follows:

- less than or equal to $1,500 — Two percent (2%)
- greater than $1,500 but less than or equal to $2,000 — Three percent (3%)
- greater than $2,000 — Four percent (4%)

The royalty percentage will apply for all other minerals is 2.5% of the net smelter returns.

In addition, the Company has one-half percent (0.5%) of net smelter returns which may be reduced to nil (0%) by paying US$500,000.

On March 19, 2018 the Company expanded the Tuscarora Gold Project through the additional staking of 67 claims in Elko County, Nevada.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Tuscarora property (Nevada, US) (continued)

Joint Venture with OceanaGold U.S. Holdings Inc. ("OceanaGold")

On April 15, 2019, the Company entered into an earn-in agreement with OceanaGold, a US subsidiary of OceanaGold Corp.

According to earn-in agreement, OceanaGold can earn up to 51% of the Tuscarora Gold Project by investing US$4,000,000 over the next four years ("Phase 1"). After Phase 1, OceanaGold has an option to earn addition 24% by investing US$6,000,000 in the next four years.

To execute the earn-in agreement, OceanaGold will make an initial cash payment of US$50,000 to the Company. OceanaGold will make a second payment of US$200,000 in cash or shares at Oceana's option when OceanaGold earns a 51-per-cent interest in the Tuscarora Gold Project

OceanaGold will also make all payments to holders of underlying property interests and pay claim fees. OceanaGold will be the operator and, upon earning-in an interest, a joint venture management committee will be formed.

The Company's evaluation and exploration costs during the year ended December 31, 2018 related to Tuscarora property are broken down as follows:

Consulting	$ 220,748
Drilling	648,497
Equipment rental	8,572
Field	25,743
Field office administration	6,304
Geological	112,920
Sample analysis	97,535
Transportation	10,724
Travel	26,391
	$ 1,157,434

JPL Gold Project (Nevada, US)

On April 5, 2018 (the "Effective Date"), the Company entered into an exploration lease and option agreement ("Agreement") for the JPL Property with Curellie LLC, a private company based in Nevada USA ("Curellie"). The property consists of 54 unpatented mining claims situated in Esmeralda County, Nevada.

Curellie granted to the Company the exclusive option and right ("Option") to acquire ownership of the JPL Property by making the following minimum payments to Curellie:

- Execution of the Agreement – US$15,000 (Paid)
- First anniversary of the Effective Date – US$20,000
- Second anniversary of the Effective Date – US$25,000
- Third anniversary and each succeeding anniversary of the Effective Date – US$30,000

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

JPL Gold Project (Nevada, US) (continued)

The Company will pay a 3% production royalty to Curellie based on the Net Smelter Returns from the production and sale of minerals from the Property.

On May 3, 2018, the Company, through its wholly-owned subsidiary, APM US, vended out the JPL Project to AAA Equity Holdings Corp. ("AAA"). APM US has agreed to assign, transfer and set over all of its rights and obligations arising out of the Agreement between APM US and Curellie LLC to AAA ("Vending Agreement").

According to the Vending Agreement, AAA will:

a) issue 500,000 of its common shares to the Company; (issued – Note 4)
b) complete $75,000 in exploration expenditures on the JPL Project within twelve months; and
c) in the event that AAA elects to exercise the Option (as defined in the Agreement), pay to APM US a 1% net smelter return on the JPL Property.

On May 3, 2018, the Company received 500,000 common shares of AAA. As there were no quoted prices in active market for AAA's shares, the Company valued the shares at US$25,290 which was the carrying value of the JPL Project exchanged. The 500,000 shares were classified as financial assets at FVTOCI.

On November 16, 2018, AAA provided a written notice to the Company to terminate the Vending Agreement. Following with the notice received from AAA, the Company provided a written notice to Curellie to terminate the Agreement on November 16, 2018.

On January 16, 2019, AAA cancelled the 500,000 common shares issued to the Company. As a result of the cancellation, the Company recognized a decline in the fair value of 500,000 common shares of $34,470 (US$25,290) as other comprehensive loss in the statement of loss and comprehensive loss during the year ended December 31, 2018.

	in USD	in CAD
Initial Recognition	**25,290**	**32,506**
Less: Fair value decrease	(25,290)	(34,470)
Effect of movements in exchange rates	-	1,964
Balance as at December 31, 2018	**-**	**-**

(Expressed in Canadian Dollars)

7. CONVERTIBLE NOTES

Initial recognition	$	497,776
Accretion of interest		2,247
Balance as at December 31, 2017	**$**	**500,023**
Additions		54,222
Accretion of interest		19,347
Conversion		(573,592)
Balance as at December 31, 2018	**$**	**-**

On December 22, 2017, the Company issued 3-year, non-interest-bearing convertible notes in the aggregate principal amount of $867,500. The convertible notes mature on December 21, 2020 and are convertible at any point prior to maturity, at the option of the note holders, into common shares at the conversion price per common share equal to $0.10.

On January 5, 2018, the Company issued 3-year, non-interest-bearing convertible notes in the aggregate principal amount of $101,500 of which $6,500 was received during the period ended December 31, 2017. The convertible notes mature on January 4, 2021 and are convertible at any point prior to maturity, at the option of the note holders, into common shares at the conversion price per common share equal to $0.10.

Using a risk-adjusted discount rate of 20%, the Company calculated and recorded the equity portion of the notes to be $42,762 before the allocation of issuance costs.

In connection with the convertible notes, the Company incurred issuance costs of $7,803. These issuance costs are recorded as a reduction of the carrying value of the liability ($4,516) and equity ($3,287) portions of the convertible notes.

During the periods ended December 31, 2018 and 2017, accretion expense of $19,347 and $2,247, respectively, was recorded as accretion of interest with a corresponding increase in the carrying value of the liability.

On March 2, 2018, the convertible notes with a principal value of $969,000 were converted into common shares and the equity portion was reclassified to share capital.

As at December 31, 2018, the carrying value of the convertible notes is $nil (December 31, 2017 – $500,023).

8. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2018, the Company had 33,751,667 common shares issued (December 31, 2017 – 10,730,001) and with a value of $4,656,090 (December 31, 2017 – $532,332).

During the year ended December 31, 2018, the company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date and 15% on every six months from date of listing. At December 31, 2018, there were 1,200,060 common shares held in escrow. At December 31, 2018, there were 1,312,501 common shares held in escrow (December 31, 2017 – nil).

<u>During the year ended December 31, 2018</u>

- On March 2, 2018, the Company issued 9,690,000 common shares for the conversion of the convertible notes. As a result of the conversion, the Company reclassified $573,592 and $401,856 from convertible notes and equity portion of convertible notes, respectively, to share capital.

- On March 2, 2018, the Company issued the Company issued a total of 11,365,000 common shares and 5,682,500 share purchase warrants for the conversion of the special warrants (the "Special Warrant"). Each warrant will entitle the holder thereof to subscribe for one common share of the Company at an exercise price of $0.35 per common share of the Company until March 9, 2019. As a result of the conversion, the Company reclassified $2,711,124 from warrants reserve to share capital.

- On March 8, 2018, the Company issued 500,000 common shares with a fair value of $190,000 in exchange for the South Lida Property (Note 6).

- On March 8, 2018, the Company issued 266,666 common shares with a fair value of $101,333 in exchange for the Tuscarora Property (Note 6).

- On July 17, 2018, the Company issued 200,000 common shares with a fair value of $40,000 to an investor relations consultant.

- On October 25, 2018, the Company issued 1,000,000 common shares with a fair value of $110,000 in exchange for the South Lida Property (Note 6).

- In connection with the shares issued during the year ended December 31, 2018, the Company incurred $4,119 in share issue costs.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

b) Issued share capital (continued)

During the period ended December 31, 2017

- The Company issued 1 share at nominal value to the incorporator.
- The Company issued 500,000 common shares with a fair value of $25,000 in exchange for the South Lida Property (Note 4).
- The Company completed a non-brokered private placement of 10,230,000 common shares at $0.05 per share for total proceeds of $511,500 of which $19,000 was received subsequent to December 31, 2017. In connection with this private placement, the Company incurred $4,169 in share issue costs.

c) Warrants

The changes in warrants during December 31, 2018 and 2017, are as follows:

	December 31, 2018		December 31, 2017	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**-**	**$ -**	-	$ -
Issued	**6,021,300**	**0.35**	-	-
Outstanding, end of period	**6,021,300**	**$ 0.35**	-	$ -

During the year ended December 31, 2018

- The Company issued 710,000 Special Warrants (the "Special Warrant") for total proceeds of $177,500 of which $120,000 was received during the period ended December 31, 2017.

  Each Special Warrant will automatically convert, without the payment of any additional consideration, into one common share of the Company and one-half of a transferable share purchase warrant (the "Warrant") on the earlier of the date of:

  a) the third business day after a receipt for a final prospectus qualifying the distribution of the Shares and Warrants issuable upon the conversion of the Special Warrants.

  b) four months and one day after the issue date of the Special Warrants.

8. SHARE CAPITAL (CONTINUED)

c) Warrants (continued)

During the year ended December 31, 2018 (continued)

Each whole Warrant will entitle the holder to purchase one common share of the Company at any time at a price of $0.35 per share for a period equal to the shorter of:

a) one year after the listing date that the common shares of the Company are listed on the Canadian Securities Exchange ("CSE") or another stock exchange recognized under provincial securities laws; and

b) five years after the issue date of the Special Warrants, subject to abridgement on an occurrence of a trigger event which is at any time after the listing date, the Company may abridge the exercise period of the Warrants if the ten-day volume weighted average trading price of the Shares is greater than $0.50.

In connection with this Special Warrants, the Company incurred issuance costs of $26,554.

- On March 2, 2018, 11,365,000 Special Warrants were converted into common shares.

- During the year ended December 31, 2018, the Company issued 338,800 finders' warrants in connection with the private placement completed in fiscal year 2017. The Company estimated the grant date fair value of finders' warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.64%, an expected life of 1.2 years, an expected volatility of 64.19% and an expected dividend yield of 0%, which totaled $28, and recorded this value in warrant reserve.

During the period ended December 31, 2017

- The Company issued 10,655,000 Special Warrants (the "Special Warrant") for total proceeds of $2,663,750.

  Each Special Warrant will automatically convert, without the payment of any additional consideration, into one common share of the Company and one-half of a transferable share purchase warrant (the "Warrant") on the earlier of the date of:

  a) the third business day after a receipt for a final prospectus qualifying the distribution of the Shares and Warrants issuable upon the conversion of the Special Warrants.

  b) four months and one day after the issue date of the Special Warrants.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

c) Warrants (continued)

During the period ended December 31, 2017 (continued)

Each whole Warrant will entitle the holder to purchase one common share of the Company at any time at a price of $0.35 per share for a period equal to the shorter of:

a) one year after the listing date that the common shares of the Company are listed on the Canadian Securities Exchange ("CSE") or another stock exchange recognized under provincial securities laws; and

b) five years after the issue date of the Special Warrants, subject to abridgement on an occurrence of a trigger event which is at any time after the listing date, the Company may abridge the exercise period of the Warrants if the ten-day volume weighted average trading price of the Shares is greater than $0.50.

In connection with this Special Warrants, the Company incurred issuance costs of $103,572.

The following summarizes information about warrants outstanding at December 31, 2018:

Expiry date	Warrants outstanding		Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 8, 2019	338,800	$	0.35	$	28	0.18
March 9, 2019	5,682,500	$	0.35	$	-	0.19
	6,021,300			**$**	**28**	**0.19**

6,021,300 warrants expired unexercised subsequent to December 31, 2018 (Note 14).

d) Stock options

The Company has a Stock Option Plan (the "Plan") applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is ten years from the grant date. Under the stock option plan, management has the option of determining vesting periods.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

d) Stock options (continued)

During the year ended December 31, 2018

- On March 8, 2018, the Company granted 2,050,000 options with an exercise price of $0.25 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On March 19, 2018, the Company granted 100,000 options with an exercise price of $0.30 to a consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On June 29, 2018, the Company granted 300,000 options with an exercise price of $0.25 to a consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

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

Risk-free interest rate	1.99%
Expected annual volatility	80.74%
Expected life (in years)	5
Expected dividend yield	0.00%
Forfeiture rate	0.00%

The following summarizes information about stock options outstanding and exercisable at December31, 2018:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 8, 2023	2,050,000	2,050,000	$ 0.25	$ 564,102	4.19
March 19, 2023	100,000	100,000	$ 0.30	$ 18,717	4.22
June 29, 2023	300,000	300,000	$ 0.25	$ 35,950	4.50
	2,450,000	**2,450,000**		**$ 618,769**	**4.23**

During the year ended December 31, 2018, the Company recognized share-based payments expense arising from stock options of $618,769 (December 31, 2017 – $nil).

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Total compensation of key company personnel during the periods ended December 31, 2018 and 2017 are as follows:

	For the years ended	
	December 31, 2018	December 31, 2017
Short-term benefits	$ 630,123	$ -
Share-based payments	330,204	-
	$ 960,327	$ -

<u>During the year ended December 31, 2018</u>

- The Company incurred consulting fees of $153,938 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company (December 31, 2017 – $13,332).

- The Company incurred consulting fees of $59,000 to Inlet Consulting Ltd. which is controlled by the Chief Financial Officer and Director of the Company (December 31, 2017 – $nil).

- The Company paid $126,360 for professional fees to Quantum Advisory Partners LLP whose incorporated partner is a Director of the Company (December 31, 2017 – $nil).

- During the period ended December 31, 2017, the Company paid $78,750 to Tarin Smith, the spouse of the Chief Executive Officer and a Director of the Company, for one-year social media services, of which $65,625 and $13,125 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses during the periods ended December 31, 2018 and 2017, respectively.

<u>During the year ended December 31, 2017</u>

- The Company acquired the South Lida property, which was considered a related party transaction (Note 6).

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $87,923, as at December 31, 2018 (December 31, 2017 – $13,332), which were paid subsequent to December 31, 2018. These amounts are unsecured, non-interest bearing and payable on demand.

(Expressed in Canadian Dollars)

10. SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral properties. The Company's non-current assets are located are as follows:

	Canada	United States	Total
As at December 31, 2018			
Reclamation deposits	$ -	$ 27,260	**$ 27,260**
Equipment	6,413	-	**6,413**
Exploration and evaluation assets	-	583,736	**583,736**
	$ 6,413	**$ 610,996**	**$ 617,409**
As at December 31, 2017			
Exploration and evaluation assets	$ -	$ 25,000	**$ 25,000**
	$ -	**$ 25,000**	**$ 25,000**

11. CAPITAL MANAGEMENT

The Company defines its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS

a) Fair value

Financial instruments are classified into one of the following categories: FVTPL, amortized cost and FVTOCI.

Set out below are the Company's financial assets and liabilities by category:

		December 31, 2018		December 31, 2017
Financial assets:				
Fair value through profit and loss				
Cash	$	135,556	$	3,414,736
Amortized cost				
Term deposits		500,000		-
Amounts receivable		2,685		-
Subscriptions receivable		-		19,000
Reclamation deposit		27,260		-
	$	665,501	$	3,433,736
Financial liabilities:				
Amortized cost				
Accounts payable and accrued liabilities	$	173,438	$	134,582
Convertible notes	$	-	$	500,023
		173,438		634,605

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: 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: Inputs that are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets and liabilities at FVTPL, and FVTOCI financial instruments as at December 31, 2018 and 2017 are shown below.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value (continued)

		Estimated fair values		
	December 31, 2018	Level 1	Level 2	Level 3
Cash	$ 135,556	$ 135,556	$ -	$ -

		Estimated fair values		
	December 31, 2017	Level 1	Level 2	Level 3
Cash	$ 3,414,736	$ 3,414,736	$ -	$ -

At December 31, 2018 and 2017, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

b) Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash, term deposits and amounts receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash and term deposits based in Canada are accessible. Accounts receivable mainly includes the interest receivable from the term deposits.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At December 31, 2018, the Company had cash of $135,556, term deposits of $500,000, and accounts payable and accrued liabilities of $173,438. All accounts payable and accrued liabilities are current.

12. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Market risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash are easily accessible

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and term deposit. A 1% change in interest rates on the balance of cash and term deposit at December 31, 2018 would result in an approximately $6,400 change to the Company's net loss for the year ended December 31, 2018.

Foreign Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CAD"). The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, subscriptions receivable, and accounts payable and accrued liabilities are held in CAD and United States dollars ("USD"); therefore, USD accounts are subject to fluctuation against the CAD.

The Company's financial instruments were denominated as follows as at December 31, 2018:

	in Canadian dollars	in US dollars
Cash	107,834	20,339
Term deposits	500,000	-
Amounts receivable	2,685	-
Investments	-	-
Reclamation deposit	-	20,000
Accounts payable and accrued liabilities	(151,333)	(16,218)
Total foreign currencies	**459,186**	**24,121**
Foreign currency rate	1.000	1.3630
Equivalent to Canadian dollars	**$ 459,186**	**$ 32,877**

Based on the above net exposures as at December 31, 2018, and assuming that all other variables remain constant, a 10% change of the CAD against the USD would change profit or loss by approximately $4,900.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Market risk

Commodity 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 may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.

13. INCOME TAXES

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

		2018		2017
Loss for the year	$	(3,652,663)	$	(440,627)
Expected income tax (recovery)	$	(986,000)	$	(115,000)
Change in statutory, foreign tax, foreign exchange rates and other		6,000		(21,000)
Permanent differences		170,000		-
Share issue cost		(1,000)		-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(6,000)		-
Change in unrecognized deductible temporary differences		817,000		136,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

(Expressed in Canadian Dollars)

13. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 1,319,000	No expiry date	$ -	N/A
Property and equipment	1,000	No expiry date	-	N/A
Share issue costs	2,000	2039 to 2042	92,000	2038 to 2041
Non-capital losses available for future periods	2,170,000	2037 to 2038	440,000	2037

Tax attributes are subject to review and potential adjustment by tax authorities.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

- On March 1, 2019, the Company completed a non-brokered private placement of 14,602,000 units at a price of $0.10 for gross proceeds of $1,460,200. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common Share at an exercise price of $0.20 at any time prior to February 29, 2020.

  In connection with the private placement, the Company paid $35,364 and issue 353,640 finders warrants priced at $0.20 as finders' fees.

- On March 8, 2019, the Company issued 1,000,000 common shares for the South Lida Property.

- On March 8, 2019, the Company issued 266,666 common shares for the Tuscarora Property.

- The Company entered into an arm's-length agreement with Wallace Hill Partners Ltd. and affiliates, a media specialist in the natural resources sector. The agreement is for a three-year term. The Company paid US$250,000 and issued a total of 2,800,000 of its common shares in consideration for the consulting services.

- The Company entered into an arm's-length agreement with Capital Pearl Investments Inc. The agreement is for a one-year term. The Company paid $40,000 and issued a total of 1,000,000 of its common shares in consideration for the consulting services.

- The Company granted 1,000,000 options with an exercise price of $0.28 to certain directors and consultants. The options are exercisable for a period of five years.

- 6,021,300 warrants expired unexercised.

- On April 23, 2019, the Company acquired through staking 42 unpatented claims, totaling approximately 708 acres in Storey County, Nevada, US.