AMERICAN PACIFIC MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
American Pacific Mining Corp.

Opinion

We have audited the accompanying consolidated financial statements of American Pacific Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 $2,513,179 during the year ended December 31, 2019 and, as of that date, the Company's total deficit was $6,606,469. 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.

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 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 auditor's report is Stephen Hawkshaw.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 29, 2020

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

As at	Note(s)	December 31, 2019 $	December 31, 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	4	513,021	135,556
Term deposits		-	500,000
Amounts receivable		29,317	52,498
Prepaid expenses	5	381,422	16,451
		923,760	**704,505**
Non-current assets			
Prepaid expenses	5	324,000	-
Reclamation deposits	6	26,032	27,260
Equipment	7	4,044	6,413
Exploration and evaluation assets	8	961,657	583,736
		1,315,733	**617,409**
TOTAL ASSETS		**2,239,493**	**1,321,914**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		160,439	173,438
TOTAL LIABILITIES		**160,439**	**173,438**
SHAREHOLDERS' EQUITY			
Share capital	10	7,871,934	4,656,090
Stock options reserve	10	816,631	618,769
Warrants reserve	10	28,580	28
Accumulated deficit		(6,606,469)	(4,093,290)
Accumulated other comprehensive loss		(31,622)	(33,121)
TOTAL SHAREHOLDERS' EQUITY		**2,079,054**	**1,148,476**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,239,493**	**1,321,914**

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

/s/ Warwick Smith Director **/s/ Norman Wareham Director**

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

	Note(s)	For the years ended December 31, 2019 $	December 31, 2018 $
Expenses			
Bank charges		2,525	3,273
Consulting fees	5	647,209	532,652
Depreciation	7	2,369	1,484
Directors' fees		18,234	-
Exploration and evaluation costs	8	325,558	1,157,434
General and administrative costs		143,871	87,266
Professional fees		281,392	295,937
Project evaluation costs		7,256	10,898
Share-based payments	10	197,862	618,769
Shareholder information and investor relations	5	671,027	658,259
Transfer agent, regulatory and listing fees		95,748	156,190
Travel		111,245	106,290
		(2,504,296)	**(3,628,452)**
Other income (expenses)			
Foreign exchange gain		(15,046)	(7,549)
Finance cost		6,163	2,685
Accretion of interest	9	-	(19,347)
		(8,883)	**(24,211)**
Loss for the year		**(2,513,179)**	**(3,652,663)**
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations		1,499	1,349
Fair value decrease on investment at FVTOCI	8	-	(34,470)
		1,499	**(33,121)**
Total comprehensive loss		**(2,511,680)**	**(3,685,784)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.14)**	**(0.37)**
Weighted average number of common shares outstanding - basic and diluted		**18,007,859**	**9,743,432**

American Pacific Mining Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

		Share capital								
	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 $
Balance at December 31, 2017		**3,576,667**	**532,332**	**362,381**	**126,500**	**-**	**2,560,178**	**(440,627)**	**-**	**3,140,764**
Share issue costs		-	(4,119)	-	-	-	-	-	-	**(4,119)**
Shares issued for exploration and evaluation assets		588,889	401,333	-	-	-	-	-	-	**401,333**
Shares issued for investor relations services		66,667	40,000	-	-	-	-	-	-	**40,000**
Warrants issued for cash		-	-	-	(120,000)	-	177,500	-	-	**57,500**
Warrant issue costs		-	-	-	-	-	(26,554)	-	-	**(26,554)**
Fair value of finders' warrants		-	(28)	-	-	-	28	-	-	**-**
Shares issued for warrant exercise		3,788,333	2,711,124	-	-	-	(2,711,124)	-	-	**-**
Equity portion of convertible debentures		-	-	39,475	(6,500)	-	-	-	-	**32,975**
Shares issued for conversion of convertible debentures		3,230,000	975,448	(401,856)	-	-	-	-	-	**573,592**
Share-based payments		-	-	-	-	618,769	-	-	-	**618,769**
Loss		-	-	-	-	-	-	(3,652,663)	-	**(3,652,663)**
Other comprehensive loss		-	-	-	-	-	-	-	(33,121)	**(33,121)**
Balance at December 31, 2018		**11,250,556**	**4,656,090**	**-**	**-**	**618,769**	**28**	**(4,093,290)**	**(33,121)**	**1,148,476**
Shares issued for cash	10	7,975,667	2,392,700	-	-	-	-	-	-	**2,392,700**
Share issue costs	10	-	(110,970)	-	-	-	-	-	-	**(110,970)**
Shares issued for exploration and evaluation assets	8, 10	422,222	278,666	-	-	-	-	-	-	**278,666**
Shares issued for services	5, 10	1,266,667	684,000	-	-	-	-	-	-	**684,000**
Fair value of finders' warrants	10	-	(28,552)	-	-	-	28,552	-	-	**-**
Share-based payments		-	-	-	-	197,862	-	-	-	**197,862**
Loss		-	-	-	-	-	-	(2,513,179)	-	**(2,513,179)**
Other comprehensive loss		-	-	-	-	-	-	-	1,499	**1,499**
Balance at December 31, 2019		**20,915,112**	**7,871,934**	**-**	**-**	**816,631**	**28,580**	**(6,606,469)**	**(31,622)**	**2,079,054**

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

	For the years ended	
	December 31, 2019	December 31, 2018
	$	$
Cash flow provided from (used by)		
OPERATING ACTIVITIES		
Loss for the year	(2,513,179)	(3,652,663)
Adjustments for items not affecting cash:		
Depreciation	2,369	1,484
Share-based payments	197,862	618,769
Accretion of interest	-	19,347
Effects of currency exchange rate changes on reclamation deposit	1,228	(2,657)
Services paid by common shares	305,000	40,000
Change in non-cash working capital		
Amounts receivable	23,181	(52,498)
Prepaid expenses	(309,971)	300,182
Accounts payable and accrued liabilities	(12,945)	66,386
Cash flow used in operating activities	**(2,306,455)**	**(2,661,650)**
INVESTING ACTIVITIES		
Purchase of equipment	-	(7,897)
Reclamation deposits	-	(24,603)
Exploration and evaluation assets	(164,687)	(190,034)
Recovery of exploration and evaluation assets	65,432	-
Term deposit	500,000	(500,000)
Cash flow provided by (used in) investing activities	**400,745**	**(722,534)**
FINANCING ACTIVITIES		
Proceeds on issuance of common shares, net of cash share issue costs	2,281,730	(7,489)
Proceeds on issuance of convertible notes, net of cash issuance costs	-	81,262
Proceeds on issuance of warrants, net of cash issuance costs	-	12,721
Subscription receivable	-	19,000
Cash flow provided by financing activities	**2,281,730**	**105,494**
Effects of exchange rate changes on cash and cash equivalents	1,445	(490)
Change in cash and cash equivalents	**377,465**	**(3,279,180)**
Cash and cash equivalents, beginning of year	**135,556**	**3,414,736**
Cash and cash equivalents, end of year	**513,021**	**135,556**
SUPPLEMENTAL CASH FLOW		
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	278,666	401,333
Investment received in exchange of exploration and evaluation assets	-	32,506
Shares issued for services included in prepaid expenses	379,000	-
Fair value of finders' warrants	28,552	28
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

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 $2,513,179 during the year ended December 31, 2019 (2018 – $3,652,663) and, as of that date, the Company's total deficit was $6,606,469. These uncertainties may cast significant doubt about the entities ability to continue as a going concern.

Share consolidation
On April 16, 2020, the Company implemented the share consolidation of one post-consolidation common share for three pre-consolidation common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and options and exercise price per warrant and option presented in these financial statements for both years ended December 31, 2019 and 2018 had been retroactively adjusted accordingly.

Proposed transaction
On April 13, 2020, the Company signed a definitive agreement (the "Definitive Agreement") with Madison Metals Inc. ("Madison") to acquire the Madison Copper Gold project (the "Project") near Silver Star, Montana, USA (the "Transaction"). The Project is currently under an earn-in joint venture agreement announced by Broadway Gold Mining Ltd. on April 30, 2019, whereby Kennecott Exploration Company, a subsidiary of the Rio Tinto Group, will incur US$30 million over 11 years to earn up to 70% of the Project.

Pursuant to the Definitive Agreement, the Company will issue 20,000,000 common shares to Madison. Those shares will be put in escrow and subject to a six-month holding period. The Company will also issue 5,000,000 warrants with a term of 18-months and an exercise price of $0.25 to Madison. Upon the completion of the Transaction, Madison will appoint one member to the Company's Advisory board. The Transaction is subject to shareholder approval.

COVID-19
In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, results of operations and the timing of proposed transaction mentioned above at this time.

These consolidated financial statements of the Company for the year ended December 31, 2019 were approved by the Board of Directors on April 29, 2020.

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 functional currency of the Company's subsidiary is the United States dollar ("U.S. Dollar').

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

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiary 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.

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

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.

Ownership in exploration and evaluation 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 exploration and evaluation 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 exploration and evaluation 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 exploration and evaluation 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.

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

Critical accounting judgments

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

Functional currency

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.

Going concern

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

Leases

The Company applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

Foreign exchange

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.

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.

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

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.

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.

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

Exploration and evaluation assets

Exploration and evaluation assets

Exploration and evaluation 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 exploration and evaluation 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 exploration and evaluation assets are abandoned or sold. Included in the cost of exploration and evaluation assets is the cost of any estimated decommissioning liability. The Company has classified exploration and evaluation 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.

Exploration and evaluation costs

Exploration and evaluation 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, exploration and evaluation 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.

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

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.

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

- **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.

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

Financial instruments (continued)

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. As of December 31, 2019 and 2018, the Company has classified its cash and cash equivalents as FVTPL.

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. As of December 31, 2019 and 2018, the Company has no financial assets classified as FVOCI.

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. As of December 31, 2019 and 2018, the Company has classified its term deposits, amounts receivable and reclamation deposits as amortized cost.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was 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.

- **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.

(Expressed in Canadian Dollars)

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

Financial instruments (continued)

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As at December 31, 2019 and 2018, the Company has classified its accounts payable and accrued liabilities as other financial liabilities

Refer to Note 14 for further disclosures.

3) NEW ACCOUNTING STANDARDS

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2019.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements.

- **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. Under IFRS 16, as a lessee, the Company is required to recognize all leases in the statement of financial position as a "right-of-use" asset and a lease liability unless the lease term is 12 months or less or the underlying asset has a very low value. The asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The liability is unwound over the term of the lease giving rise to an interest expense. The Company completed an assessment and concluded that there is no material impact on the consolidated financial statements from the adoption of this 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 adoption of this standard did not have an impact on the consolidated financial statements.

4) CASH AND CASH EQUIVALENTS

	December 31, 2019 $	December 31, 2018 $
Cash	110,875	135,556
Cash equivalents	402,146	-
	513,021	**135,556**

(Expressed in Canadian Dollars)

5) PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the year ended December 31, 2019, 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 $329,142 (US$250,000) and issued a total of 933,333 of its common shares with a fair value of $504,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 3 years. During the year ended December 31, 2019, $231,428 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses. As of December 31, 2019, $324,000 was classified as long term.

During the year ended December 31, 2019, 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 333,334 of its common shares with a fair value of $180,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 12 months. During the year ended December 31, 2019, $201,667 was charged to the statement of loss and comprehensive loss as consulting fees.

During the year ended December 31, 2019, the Company entered into another arm's-length agreement with Capital Pearl Investments Inc. The agreement is for a one-year term. The Company paid cash of $100,000 for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 12 months. During the year ended December 31, 2019, $41,667 was charged to the statement of loss and comprehensive loss as consulting fees.

6) RECLAMATION DEPOSITS

The Company has reclamation deposits of $26,032 (US$20,000). These bonds were put up as collateral for the Tuscarora project in the event of future operations (2018 – $27,260 (US$20,000)).

7) EQUIPMENT

	Cost	Accumulated depreciation	Carrying value
	$	$	$
As at December 31, 2017	-	-	-
Additions	7,897	(1,484)	6,413
As at December 31, 2018	**7,897**	**(1,484)**	**6,413**
Additions	-	(2,369)	(2,369)
As at December 31, 2019	**7,897**	**(3,853)**	**4,044**

(Expressed in Canadian Dollars)

8) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets as of December 31, 2019 and 2018

	South Lida claims $	Tuscarora property $	JPL property $	Gooseberry project $	Total $
Balance as at December 31, 2017	**25,000**	**-**	**-**	**-**	**25,000**
Acquisition 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 rate	-	-	(125)	-	**(125)**
Balance as at December 31, 2018	**331,997**	**251,739**	**-**	**-**	**583,736**
Acquisition costs					
- cash	2,837	125,000	-	-	**127,837**
- shares	220,000	58,666	-	-	**278,666**
Staking costs	-	-	-	36,850	**36,850**
Option payments received	-	(65,432)	-	-	**(65,432)**
Balance as at December 31, 2019	**554,834**	**369,973**	**-**	**36,850**	**961,657**

Exploration and evaluation costs incurred by the Company during the years ended December 31, 2019 and 2018

During the year ended December 31, 2019:

	Gooseberry $	Tuscarora $	Total $
Consulting	153,190	62,697	215,887
Equipment rental	-	1,323	1,323
Field	2,022	-	2,022
Field office administration	616	-	616
Geological	27,871	6,561	34,432
Royalty payments	-	5,303	5,303
Sample analysis	-	30,735	30,735
Transportation	9,678	5,013	14,691
Travel	15,347	5,202	20,549
	208,724	116,834	**325,558**

(Expressed in Canadian Dollars)

8) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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

	Tuscarora $
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

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.

<u>South Lida claims (Nevada, US)</u>

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

Under the SL Claim Purchase Agreement, the Company will issue to the Vendors a total of 1,000,000 common shares (the "Property Shares") as follows:

a) 166,667 Property Shares on July 1, 2017 (issued);
b) 166,667 Property Shares on the listing date (issued);
c) 333,333 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); and
d) 333,333 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 during the year ended December 31, 2019 at a fair value of $220,000).

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

<u>Tuscarora property (Nevada, US)</u>

On November 6, 2017, the Company entered into an option agreement (the "Tuscarora Option Agreement") with Novo Resources Corp. The Tuscarora Option Agreement was amended on December 18, 2019 (the "Amended Tuscarora Option Agreement"). Pursuant to the Tuscarora 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 "Tuscarora Option").

(Expressed in Canadian Dollars)

8) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Tuscarora property (Nevada, US) (continued)
Pursuant to the Amended Tuscarora Option Agreement, to earn the Tuscarora Option, the Company will:

a) make $400,000 cash payments to Novo Resources Corp. as follows:

 i. $125,000 due January 31, 2018 (paid);
 ii. $125,000 due January 31, 2019 (paid); and
 iii. $150,000 due on January 31, 2021;

b) issue 266,667 common shares of the Company to Novo Resources Corp. in three equal instalments, with one-third issued on each of the listing date (issued) and the first (88,889 shares issued with a fair value of $58,666 during the year ended December 31, 2019) and second anniversaries of the listing date (88,889 shares issued on March 4, 2020); and

c) incur USD$100,000 in expenditures on the property annually, starting on the twelve-month period commencing March 8, 2019 and per each successive twelve-month period thereafter.

The property is subject to net smelter returns royalties of 0.5% which may be reduced to nil (0%) by paying US$500,000.

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	Paid
November 7, 2019	4,000	Paid
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.

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)

8) 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") as follows:

On or before:	US$	
April 15, 2020	625,000	Incurred
April 15, 2021	750,000	
April 15, 2022	1,125,000	
April 15, 2023	1,500,000	

After Phase 1, OceanaGold has an option to earn an additional 24% interest by investing US$6,000,000 in the next four years.

To execute the earn-in agreement, OceanaGold made an initial cash payment of US$50,000 to the Company ($65,432) during the year ended December 31, 2019. 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.

During the year ended December 31, 2019, OceanaGold incurred US$965,767 exploration and evaluation costs related to Tuscarora property.

On January 13, 2020, OceanGold decided not to proceed further and terminated the earn-in agreement with the Company.

Gooseberry Gold Project (Nevada, US)
On April 23, 2019, the Company acquired through staking the historic Gooseberry Mine in Storey Nevada, US. The Gooseberry Gold project includes 42 unpatented claims, totaling approximately 708 acres.

8) EXPLORATION AND EVALUATION ASSETS (CONTINUED)

JPL Gold Project (Nevada, US)
On April 5, 2018 (the "Effective Date"), the Company entered into an exploration lease and option agreement ("JPL Option 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 ("JPL 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[(1)]
- Second anniversary of the Effective Date – US$25,000[(2)]
- Third anniversary and each succeeding anniversary of the Effective Date – US$30,000[(2)]
  - (1) The minimum payment to be made by the first anniversary of the effective date was not paid due to the option agreement being terminated.
  - (2) The minimum payments to be made by the second anniversary, the third anniversary and each succeeding anniversary of the effective date are no longer required to be paid as the option agreement is terminated.

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 ("JPL Vending Agreement").

According to the JPL Vending Agreement, AAA will:

a) issue 500,000 of its common shares to the Company; (issued)
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 JPL Option (as defined in the JPL Option 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 JPL Vending Agreement. Following with the notice received from AAA, the Company provided a written notice to Curellie to terminate the JPL Option Agreement on November 16, 2018.

On January 16, 2019, AAA cancelled the 166,667 common shares issued to the Company. As a result of the cancellation, the Company recognized a decline in the fair value of 166,667 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.

(Expressed in Canadian Dollars)

9) CONVERTIBLE NOTES

	$
As at December 31, 2017	**500,023**
Addition	54,222
Accretion on interest	19,347
Conversion	(573,592)
As at December 31, 2019 and 2018	**-**

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 $0.30.

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 year ended December 31, 2018, accretion expense of $19,347 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, 2019 and 2018, the carrying value of the convertible notes is $nil.

10) SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Escrow shares
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. During the year ended December 31, 2019, 175,000 common shares were released from escrow (2018 – nil). At December 31, 2019, there were 262,500 common shares held in escrow (December 31, 2018 – 437,500).

On March 8, 2020, 175,000 common shares were released from escrow.

Issued share capital
On April 16, 2020, the Company implemented the share consolidation of one post-consolidation common share for three pre-consolidation common shares

At December 31, 2019, the Company had 20,915,112 common shares issued and outstanding (December 31, 2018 – 11,250,556) with a value of $7,871,934 (December 31, 2018 – $4,656,090).

10) SHARE CAPITAL (CONTINUED)

During the year ended December 31, 2019

- On March 1, 2019, the Company completed a non-brokered private placement of 4,867,333 units at a price of $0.30 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 $0.60 at any time prior to February 28, 2020. In connection with the private placement, the Company paid $78,374 and issued 117,880 finders warrants priced at $0.60 as share issue costs.

  The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.78%, an expected life of 12 months, an expected volatility of 78% and an expected dividend yield of 0%, which totaled $22,000, and recorded these values as share issuance costs.

- On March 8, 2019, the Company issued 333,333 common shares with a fair value of $220,000 for the South Lida Property.

- On March 8, 2019, the Company issued 88,889 common shares with a fair value of $58,666 for the Tuscarora Property.

- On July 29, 2019, the Company completed a non-brokered private placement of 3,108,333 units at a price of $0.30 for gross proceeds of $932,500. 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 $0.60 at any time prior to July 29, 2020, subject to earlier expiry of the exercise period if, at any time after four months from July 29, 2019, the closing price of the shares is greater than $0.75 for five or more consecutive trading days. In connection with the private placement, the Company paid $32,596 and issued 78,000 finders warrants priced at $0.60 as share issue costs.

  The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.55%, an expected life of 12 months, an expected volatility of 79% and an expected dividend yield of 0%, which totaled $6,552, and recorded these values as share issuance costs.

- The Company issued 933,333 common shares with a fair value of $504,000 to Wallace Hill Partners Ltd. and affiliates in consideration for a three-year consulting services agreement.

- The Company issued 333,334 common shares with a fair value of $180,000 to Capital Pearl Investments in consideration for a one-year consulting services agreement.

(Expressed in Canadian Dollars)

10) SHARE CAPITAL (CONTINUED)

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

- On March 2, 2018, the Company issued 3,230,000 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 a total of 3,788,333 common shares and 1,894,167 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 $1.05 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 166,667 common shares with a fair value of $190,000 in exchange for the South Lida Property (Note 8).

- On March 8, 2018, the Company issued 88,889 common shares with a fair value of $101,333 in exchange for the Tuscarora Property (Note 8).

- On July 17, 2018, the Company issued 66,667 common shares with a fair value of $40,000 to an investor relations consultant.

- On October 25, 2018, the Company issued 333,333 common shares with a fair value of $110,000 in exchange for the South Lida Property (Note 8).

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

<u>Warrants</u>
The changes in warrants during December 31, 2019 and 2018, are as follows:

	December 31, 2019		December 31, 2018	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, beginning of year	**2,007,100**	**1.05**	-	-
Issued	4,183,714	0.60	2,007,100	1.05
Expired	(2,007,100)	1.05	-	-
Balance, end of year	**4,183,714**	**0.60**	**2,007,100**	**1.05**

<u>During the year ended December 31, 2019</u>

- 2,007,100 warrants expired unexercised.

(Expressed in Canadian Dollars)

10) SHARE CAPITAL (CONTINUED)

Warrants (continued)

During the year ended December 31, 2018

- The Company issued 236,667 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.

  Each whole Warrant will entitle the holder to purchase one common share of the Company at any time at a price of $1.05 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 $1.50.

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

- On March 2, 2018, 3,788,333 Special Warrants were converted into common shares.

- During the year ended December 31, 2018, the Company issued 112,933 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.

The following summarizes information about warrants outstanding at December 31, 2019:

Expiry date	Exercise price ($)	Warrants outstanding	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
February 28, 2020	0.60	2,551,547	22,000	0.16
July 29, 2020	0.60	1,632,167	6,552	0.58
		4,183,714	**28,552**	**0.32**

Subsequent to December 31, 2019, the Company extended the expiry date of 2,433,667 warrants with an expiry date of February 28, 2020 to February 28, 2021. The extension was approved by the Canadian Securities Exchange.

(Expressed in Canadian Dollars)

10) SHARE CAPITAL (CONTINUED)

Warrants (continued)

Subsequent to December 31, 2019, 117,880 warrants with an expiry date of February 28, 2020 expired unexercised.

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, the Board has the option of determining vesting periods.

The changes in stock options during the years ended December 31, 2019 are as follows:

	December 31, 2019		December 31, 2018	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, beginning of year	**816,667**	**0.76**	-	-
Granted	500,000	0.71	816,667	0.76
Balance, end of year	**1,316,667**	**0.74**	**816,667**	**0.76**

During the year ended December 31, 2019

- On April 15, 2019, the Company granted 333,333 options with an exercise price of $0.84 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 July 12, 2019, the Company granted 166,667 options with an exercise price of $0.45 to its consultant. The options are exercisable for a period of one year. All of the options granted vested immediately at the date of grant.

During the year ended December 31, 2018

- On March 8, 2018, the Company granted 683,333 options with an exercise price of $0.75 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 33,333 options with an exercise price of $0.90 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 100,000 options with an exercise price of $0.75 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.

(Expressed in Canadian Dollars)

10) SHARE CAPITAL (CONTINUED)

Stock options (continued)

The estimated grant date fair value of the options granted during the years ended December 31, 2019 and 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Number of options granted	500,000	816,667
Risk-free interest rate	1.61%	1.99%
Expected annual volatility	106%	81%
Expected life (in years)	3.67	5.00
Expected dividend yield	0%	0%
Grant date fair value per option ($)	0.36	0.75
Share price at grant date ($)	0.36	0.75

The following summarizes information about stock options outstanding and exercisable at December 31, 2019:

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
March 8, 2023	0.75	683,333	683,333	564,102	3.19
March 19, 2023	0.90	33,333	33,333	18,717	3.22
June 29, 2023	0.75	100,000	100,000	35,950	3.50
April 15, 2024	0.84	333,333	333,333	156,098	4.29
July 12, 2020	0.45	166,668	166,668	41,764	0.53
		1,316,667	**1,316,667**	**816,631**	**3.15**
Weighted average exercise price ($)		**0.74**	**0.74**		

During the year ended December 31, 2019, the Company recognized share-based payments expense arising from stock options of $197,862 (2018 – $618,769).

(Expressed in Canadian Dollars)

11) 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, 2019 and 2018 are as follows:

	For the year ended	
	December 31, 2019	**December 31, 2018**
	$	**$**
Short-term benefits	591,763	630,123
Share-based payments	78,036	330,204
	669,799	**960,327**

During the year ended December 31, 2019, the Company incurred consulting fees of $158,997 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company (2018 – $153,938).

During the year ended December 31, 2019, the Company incurred consulting fees of $90,000 to Inlet Consulting Ltd. which is controlled by the Chief Financial Officer and Director of the Company (2018 – $59,000).

During the year ended December 31, 2019, the Company paid $78,000 for professional fees to Quantum Advisory Partners LLP whose incorporated partner is a Director of the Company (2018 – $126,360).

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 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses during the year ended December 31, 2018.

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $43,139, as at December 31, 2019 (2018 – $87,923), which were paid subsequent to December 31, 2019. These amounts are unsecured, non-interest bearing and payable on demand.

(Expressed in Canadian Dollars)

12) 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:

	December 31, 2019	Canada	United States
	$	$	$
Non-current assets			
Reclamation deposits	26,032	-	26,032
Prepaid expenses	324,000	324,000	-
Equipment	4,044	4,044	-
Exploration and evaluation assets	961,657	-	961,657
	1,315,733	**328,044**	**987,689**

	December 31, 2018	Canada	United States
	$	$	$
Non-current assets			
Reclamation deposits	27,260	-	27,260
Equipment	6,413	6,413	-
Exploration and evaluation assets	583,736	-	583,736
	617,409	**6,413**	**610,996**

13) CAPITAL MANAGEMENT

The Company defines its components of shareholders' 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, 2019 and 2018. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

14) FINANCIAL INSTRUMENTS

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, 2019 $	FVTPL $	Amortized costs $	FVTOCI $
ASSETS				
Cash and cash equivalents	513,021	513,021	-	-
Amounts receivable	29,317	-	29,317	-
Reclamation deposits	26,032	-	26,032	-
LIABILITIES				
Accounts payable and accrued liabilities	160,439	-	160,439	-

	December 31, 2018 $	FVTPL $	Amortized costs $	FVTOCI $
ASSETS				
Cash and cash equivalents	135,556	135,556	-	-
Term deposits	500,000	-	500,000	-
Amounts receivable	52,498	-	52,498	-
Reclamation deposits	27,260	-	27,260	-
LIABILITIES				
Accounts payable and accrued liabilities	173,438	-	173,438	-

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.

As at December 31, 2019 and 2018, the financial instrument recorded at fair value on the statements of financial position is cash and cash equivalents which is measured using Level 1 of the fair value hierarchy. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost approximate their fair value due to their short-term nature. As at December 31, 2019 and 2018, 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.

14) FINANCIAL INSTRUMENTS (CONTINUED)

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 and cash equivalents and amounts receivable.

The Company's cash and cash equivalents 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 cash equivalents based in Canada are accessible. The Company's amounts receivable balance does not represent significant credit exposure as it is principally due from the Government of Canada.

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, 2019, the Company had cash and cash equivalents of $513,021 and accounts payable and accrued liabilities of $160,439. All accounts payable and accrued liabilities are current.

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 and cash equivalents is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash and cash equivalents are easily accessible.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on the balance of cash and cash equivalents at December 31, 2019 would result in an approximately $5,000 change to the Company's loss for the year ended December 31, 2019.

14) FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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, amounts receivable, reclamation deposits, 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, 2019:

	CA$	US$
Cash and cash equivalents	507,035	4,599
Amounts receivable	29,317	-
Reclamation deposits	-	20,000
Accounts payable and accrued liabilities	(126,522)	(26,058)
	409,830	**(1,459)**
Rate to convert to $1.00 CA$	1.00	1.30
Equivalent to CA$	**409,830**	**(1,899)**

Based on the above net exposures as at December 31, 2019, and assuming that all other variables remain constant, a 10% change of the CAD against the USD would change profit or loss by approximately $200.

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.

(Expressed in Canadian Dollars)

15) INCOME TAXES

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

	2019	2018
	$	$
Loss for the year	**2,513,179**	**3,652,663**
Expected income tax (recovery)	(679,000)	(986,000)
Change in statutory, foreign tax, foreign exchange rates and other	(2,000)	6,000
Permanent differences	59,000	170,000
Share issue cost	(30,000)	(1,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	14,000	(6,000)
Change in unrecognized deductible temporary differences	638,000	817,000
Total income tax expense (recovery)	-	-

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:

	December 31, 2019	Expiry Range	December 31, 2018	Expiry Range
	$		$	
Temporary Differences				
Exploration and evaluation assets	1,656,000	No expiry date	1,319,000	No expiry date
Property and equipment	4,000	No expiry date	1,000	No expiry date
Share issue costs	137,000	2040 to 2043	72,000	2039 to 2042
Non-capital losses available for future period	4,129,000	2026 to 2039	2,170,000	2026 to 2038

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