# FORAN MINING CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

**(Expressed in Canadian Dollars)**

Smythe
CPA

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF FORAN MINING CORPORATION

*Opinion*
We have audited the consolidated financial statements of Foran Mining Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 *Auditors' 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 in the consolidated financial statements, which indicates that the Company incurred a net loss of $61,765 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $42,000,708. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Other Information*
Management is responsible for the other information. The other information comprises of 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above 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 auditors' 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.


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*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.

*Auditors' 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 auditors' 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 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 auditors' 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 3, 2019

**FORAN MINING CORPORATION**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(Expressed in Canadian dollars)

| | Note | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current** | | | |
| Cash and cash equivalents | | **4,166,773** | 5,299,680 |
| Accounts receivable | | **71,381** | 14,277 |
| Prepaid expenses and deposits | | **105,735** | 69,591 |
| | | **4,343,889** | 5,383,548 |
| **Non-Current** | | | |
| Deposits | | **11,000** | 11,000 |
| Investments | 5 | **72,008** | 120,014 |
| Plant and equipment | 6 | **317,856** | 360,298 |
| Exploration and evaluation assets | 7, 11 | **36,496,338** | 26,769,793 |
| | | **41,241,091** | 32,644,653 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 11 | **223,714** | 137,487 |
| Flow-through share premium liability | 8 | **-** | 757,920 |
| | | **223,714** | 895,407 |
| **Non-Current** | | | |
| Deferred share units | 9, 15 | **612,285** | 512,275 |
| | | **835,999** | 1,407,682 |
| **EQUITY** | | | |
| **Share capital** | 10 | **80,833,461** | 71,953,767 |
| **Share-based payments reserve** | | **1,601,841** | 1,288,454 |
| **Accumulated other comprehensive income (loss)** | | **(29,502)** | 18,504 |
| **Deficit** | | **(42,000,708)** | (42,023,754) |
| | | **40,405,092** | 31,236,971 |
| | | **41,241,091** | 32,644,653 |

Approved on behalf of the Board:
_*"David Petroff"*_ , Director                _*"Darren Morcombe"*_ , Director

See accompanying notes to the consolidated financial statements.

**FORAN MINING CORPORATION**
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**FOR THE YEAR ENDED DECEMBER 31**
(Expressed in Canadian dollars)

| | Note | **2018** | 2017 |
|---|---|---|---|
| | | **$** | $ |
| **Expenses** | | | |
| Depreciation | 6 | **65,855** | 73,482 |
| Directors' fees | 9, 15 | **54,000** | 12,000 |
| Investor relations | | **235,181** | 68,219 |
| Office and administration | 15(a) | **224,029** | 168,097 |
| Professional fees | | **255,832** | 94,521 |
| Salaries and benefits | 9 | **639,537** | 323,694 |
| Share-based payments expense | 10(d), 15 | **594,022** | 293,047 |
| Transfer agent, regulatory and filing fees | | **25,277** | 15,627 |
| Travel and accommodation | | **27,428** | 21,981 |
| | | **2,121,161** | 1,070,668 |
| **Other Items** | | | |
| Gain on sale of investments | 5 | **-** | (257,028) |
| Interest income | | **(62,049)** | (1,004) |
| Other income | 8 | **(1,887,690)** | - |
| Revaluation of deferred share units | 9 | **(109,657)** | 127,303 |
| | | **(2,059,396)** | (130,729) |
| **Net loss for the year** | | **(61,765)** | (939,939) |
| **Other Comprehensive Loss** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Unrealized gain (loss) on investments | 5 | **(48,006)** | 212,676 |
| Transfer on sale of investments | | **-** | (257,028) |
| | | **(48,006)** | (44,352) |
| **Total comprehensive loss for the year** | | **(109,771)** | (984,291) |
| **Basic and diluted loss per share** | | **$ (0.00)** | $ (0.01) |
| **Basic and diluted weighted average number of shares outstanding** | | **119,403,806** | 98,760,033 |

See accompanying notes to the consolidated financial statements.

**FORAN MINING CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(Expressed in Canadian dollars)

| | Note | Number of shares | Share capital | Share-based payments reserve | Accumulated other comprehensive income (loss) | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ |
| **Balance, December 31, 2016** | | **96,881,275** | **67,141,436** | **1,498,244** | **62,856** | **(41,667,436)** | **27,035,100** |
| Net loss for the year | | - | - | - | - | (939,939) | (939,939) |
| Other comprehensive loss | | - | - | - | (44,352) | - | (44,352) |
| Private placement, net of share issue costs | 10(b)(iv) | 10,105,600 | 4,834,957 | - | - | - | 4,834,957 |
| Flow-through share premium | 10(b)(iv) | - | (757,920) | - | - | - | (757,920) |
| Issued pursuant to exercise of warrants | 10(b)(v) | 2,941,176 | 735,294 | - | - | - | 735,294 |
| Share-based payments expense | 10(d) | - | - | 373,831 | - | - | 373,831 |
| Reclass of expired stock options | 10(d) | - | - | (583,621) | - | 583,621 | - |
| **Balance, December 31, 2017** | | **109,928,051** | **71,953,767** | **1,288,454** | **18,504** | **(42,023,754)** | **31,236,971** |
| Net loss for the year | | - | - | - | - | (61,765) | (61,765) |
| Other comprehensive loss | | - | - | - | (48,006) | - | (48,006) |
| Private placement, net of share issue costs | 10(b)(i),(ii) | 17,191,400 | 9,126,632 | - | - | - | 9,126,632 |
| Flow-through share premium | 10(b)(i),(ii) | - | (1,129,770) | - | - | - | (1,129,770) |
| Issued pursuant to exercise of stock options | 10(b)(iii) | 905,000 | 882,832 | (348,882) | - | - | 533,950 |
| Share-based payments expense | 10(d) | - | - | 747,080 | - | - | 747,080 |
| Reclass of expired stock options | 10(d) | - | - | (84,811) | - | 84,811 | - |
| **Balance, December 31, 2018** | | **128,024,451** | **80,833,461** | **1,601,841** | **(29,502)** | **(42,000,708)** | **40,405,092** |

See accompanying notes to the consolidated financial statements.

## FORAN MINING CORPORATION
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian dollars)

| | Note | **2018** | 2017 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net loss for the year | | **(61,765)** | (939,939) |
| Items not involving cash: | | | |
| Depreciation | | **65,855** | 73,482 |
| Directors' fees | 9 | **54,000** | 12,000 |
| Gain on sale of investments | 5 | **-** | (257,028) |
| Interest income | | **(6,541)** | 180 |
| Other income | | **(1,887,690)** | - |
| Revaluation of deferred share units | 9 | **(109,657)** | 127,303 |
| Salaries and benefits | 9 | **155,667** | 48,000 |
| Share-based payments expense | 10(d) | **594,022** | 293,047 |
| | | **(1,196,109)** | (642,955) |
| Net change in non-cash working capital | 11 | **(76,394)** | 27,754 |
| **Cash used in operating activities** | | **(1,272,503)** | (615,201) |
| **Investing Activities** | | | |
| Purchase of equipment | 6 | **(23,413)** | (11,956) |
| Exploration and evaluation assets expenditures | | **(9,444,648)** | (982,068) |
| Proceeds on sale of investments | 5 | **-** | 257,028 |
| **Cash used in investing activities** | | **(9,468,061)** | (736,996) |
| **Financing Activities** | | | |
| Issuance of shares for cash pursuant to private placement | 10(b)(i),(ii),(iv) | **9,381,642** | 4,951,744 |
| Share issue costs | 10(b)(i),(ii) | **(307,935)** | (63,862) |
| Cash received on exercise of warrants | 10(e) | **-** | 735,294 |
| Cash received on exercise of stock options | 10(c) | **533,950** | - |
| **Cash provided by financing activities** | | **9,607,657** | 5,623,176 |
| **Net decrease in cash and cash equivalents** | | **(1,132,907)** | 4,270,979 |
| Cash and cash equivalents, beginning of year | | **5,299,680** | 1,028,701 |
| **Cash and cash equivalents, end of year** | | **4,166,773** | 5,299,680 |
| **Cash and cash equivalents is comprised of:** | | | |
| Guaranteed Investment Certificates | | **20,898** | 20,898 |
| Cash | | **4,145,875** | 5,278,782 |
| | | **4,166,773** | 5,299,680 |
| **Supplemental cash flow information** | 11 | | |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Foran Mining Corporation (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia. The Company and its subsidiary are involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office and registered and records office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These consolidated financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of $61,765 for the year ended December 31, 2018 (2017: $939,939). As at December 31, 2018, the Company had an accumulated deficit of $42,000,708 (2017: $42,023,754). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future, therefore, a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these consolidated financial statements on March 3, 2019.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 623133 Saskatchewan Ltd.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

*Share-based payments*

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Flow-through share private placements*

As an incentive to complete private placements, the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions for tax purposes to the Company. The shares are usually issued at a premium to the trading price of the Company's shares. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Significant accounting estimates and judgments (continued)

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

*Recovery of deferred tax assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*The going concern assumption*

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

*Impairment*

The assessment of any impairment or recovery of plant and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Judgment is required in assessing the appropriate level of cash generating units ("**CGU**") to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

*Decommissioning liabilities*

In the event that decommissioning liabilities are required to be recognized, such liabilities would be stated at the fair value of estimated future costs. Such estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations, and remediation practices.

*Estimated useful lives and related rates of depreciation of plant and equipment*

The Company estimates depreciation rates and selects methods used to allocate depreciable amounts of plant and equipment in a systematic basis over their estimated useful lives. Technical obsolescence of plant and equipment could significantly impact estimated residual useful lives and in turn carrying values being over or understated.

### c) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and guaranteed investment certificates with maturities of three months or less.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### d) Plant and equipment

Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Plant and equipment is depreciated over its estimated useful life using the declining-balance method at the following annual rates:

| | |
|---|---|
| Computer and survey equipment | 30% |
| Camp equipment | 30% |
| Furniture and fixtures | 20% |
| Plant | 15% |
| Trailers | 25% |
| Vehicles | 30% |

Plant and equipment is derecognized upon disposal or when no future economic benefit is expected to arise from the continued use of an asset. Any gain or loss arising on disposal of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Management reviews and evaluates the useful lives and residual values of items of plant and equipment, and adjusts if appropriate, at the end of each reporting period. The carrying amount of an item of plant and equipment is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### e) Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenditures, net of recoveries, for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable. The Company recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the carrying amount of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to exploration and evaluation assets within plant and equipment. Exploration and evaluation assets are amortized over the estimated productive lives of the properties using the unit-of-production method.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. If the properties are abandoned, allowed to lapse, there is little prospect of further work being carried out by the Company or if circumstances suggest that an asset's carrying amount is not recoverable, it is written down immediately to its recoverable amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGUs to which the exploration activity relates.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 profit or loss for the period.

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

### g) Provisions

*General*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

*Decommissioning obligations*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the decommissioning of an asset, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs are discounted to their net present value using an appropriate risk-free rate, and are provided for and capitalized as soon as the obligation to incur such costs arises. These costs are charged against profit or loss over the life of the operation, through the amortization of the asset and the unwinding of the discount on the provision.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### g) Provisions (continued)

Estimates of the timing and amount of undiscounted cash flows required to fulfill decommissioning obligations are updated periodically to reflect significant changes in facts and circumstances, and the obligations are remeasured to incorporate any resulting change in their fair value. The capitalized decommissioning cost is correspondingly increased or decreased by the amount of remeasurement.

### h) Deferred Share Units

The Company has adopted a Deferred Share Unit Plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Awards are initially charged to profit or loss using the market value of the Company's common shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units.

At each reporting date, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of separation.

### i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is recognized over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, any incremental increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### i) Share-based payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

During the year ended December 31, 2018, the Company amended its accounting policy to reclassify amounts from share-based payments reserve with respect to cancelled or expired options and warrants, to deficit. The amounts have been retrospectively recasted with $3,598,969 reallocated for options and warrants that expired prior to December 31, 2016, and $583,621 for options and warrants that expired during the year ended December 31, 2017. As the amounts are an adjustment within shareholders' equity, the recasting had no effect on the consolidated financial position, operating results or cash flows previously reported.

### j) Warrants

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

### k) Flow-through shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period.

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

### l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### l) Income taxes (continued)

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill, and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### m) Foreign currency translation

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### n) Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The calculation of diluted loss per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted loss per share and is only recognized when the effect is dilutive. When the effects of issuance of potential shares under options and warrants would be anti-dilutive, basic and diluted loss per share are the same.

### o) Financial instruments

#### *i) Financial assets*

##### *(a) Recognition and measurement of financial assets*

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**o) Financial instruments** (continued)

***i) Financial assets*** (continued)

***(b) Classification of financial assets***

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

***(i) Financial assets measured at amortized cost***

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

***(ii) Financial assets measured at fair value through other comprehensive income ("FVTOCI")***

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

***(iii) Financial assets measured at fair value through profit or loss ("FVTPL")***

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**o) Financial instruments** (continued)

***i) Financial assets*** (continued)

***(c) Derecognition of financial assets***

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

***ii) Financial liabilities***

***(a) Recognition and measurement of financial liabilities***

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

***(b) Classification of financial liabilities***

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

***(i) Financial liabilities measured at amortized cost***

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

***(ii) Financial liabilities measured at fair value through profit or loss***

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

***(c) Derecognition of financial liabilities***

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### o) Financial instruments (continued)

#### *iii) Offsetting financial assets and liabilities*

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### *iv) 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 Company measures the loss allowance for the financial asset 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 Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statement of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount of expected credit losses (or reversal) that is required to be recognized.

### p) New Standard Adopted

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("**IFRS 9**"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("**ECL**") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

| | January 1, 2018 | |
|---|---|---|
| | **IAS 39** | **IFRS 9** |
| **Financial Asset** | | |
| Cash and cash equivalents | Fair value through profit or loss ("**FVTPL**") | FVTPL |
| Receivables | Amortized cost | Amortized cost |
| Equity investments | Fair value through other comprehensive income ("**FVTOCI**") | FVOCI |
| **Financial Liability** | | |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financials assets of cash and receivables and financial liabilities.

## 4. NEW ACCOUNTING STANDARDS

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

### The Conceptual Framework for Financial Reporting

The revised Conceptual Framework, issued by the IASB in March 2018, replaces the Conceptual Framework for Financial Reporting (issued by the IASB in September 2010).

The revised Conceptual Framework includes the following:

- Concepts on measurement, including factors to consider when selecting a measurement basis.
- Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income.
- Guidance on determining the boundary of a reporting entity.
- Updated definitions of an asset and a liability.
- Updated criteria for recognizing assets and liabilities in financial statements, and guidance on when to remove them.
- Clarification on the roles of stewardship, prudence, measurement uncertainty and substance over form.

The IASB and the IFRS Interpretations Committee began using the revised Conceptual Framework immediately after it was issued. The effective date for stakeholders who develop an accounting policy based on the Conceptual Framework is for annual periods beginning on January 1, 2020. Earlier application is permitted.

### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 *Employee Benefits*)

The amendments clarify:

- that when a defined benefit plan amendment, curtailment or settlement occurs and an entity remeasures its net defined benefit liability or asset, the entity uses the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan; and
- the effect of a plan amendment, curtailment or settlement on the asset ceiling requirements.

The new standard is effective for annual periods beginning on January 1, 2019.

### Annual Improvements to IFRS Standards 2015–2017 Cycle

The following standards have been revised to incorporate amendments:

- IFRS 3 *Business Combinations* – The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in that business.
- IFRS 11 *Joint Arrangements* – The amendments clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.

**4. NEW ACCOUNTING STANDARDS** (continued)

**Annual Improvements to IFRS Standards 2015–2017 Cycle** (continued)

- IAS 12 *Income Taxes* – The amendments clarify that an entity recognizes income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend.
- IAS 23 *Borrowing Costs* – The amendments clarify that an entity treats as general borrowings any borrowings made specifically to obtain a qualifying asset that remain outstanding when the asset is ready for its intended use or sale.

The new standard is effective for annual periods beginning on January 1, 2019.

**Prepayment Features with Negative Compensation (Amendments to IFRS 9 *Financial Instruments*)**

IFRS 9 Financial Instruments has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in October 2017. The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met.

The new standard is effective for annual periods beginning on January 1, 2019.

**IFRIC 23 *Uncertainty over Income Tax Treatments***

This new Interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The new standard is effective for annual periods beginning on January 1, 2019.

**IFRS 16 *Leases***

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

(Expressed in Canadian dollars)

## 4. NEW ACCOUNTING STANDARDS (continued)

### IFRS 16 *Leases* (continued)

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning on January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

## 5. INVESTMENTS

During the year ended December 31, 2017, the Company sold shares of a mineral exploration company listed on the Canadian Securities Exchange for proceeds of $257,028. The Company recorded a realized gain of $257,028 from the sale of these shares.

As at December 31, 2018, the Company owned shares of one mineral exploration company listed publicly on the Canadian Securities Exchange that were classified as FVTOCI and carried at fair market value based on quoted market prices.

A summary of the changes in FVTOCI investments is presented below:

| | $ |
|---|---|
| Balance, December 31, 2016 | 164,366 |
| Unrealized gain on FVTOCI investments | 212,676 |
| Sale of FVTOCI investments | (257,028) |
| Balance, December 31, 2017 | 120,014 |
| Unrealized loss on FVTOCI investments | (48,006) |
| Balance, December 31, 2018 | 72,008 |

(Expressed in Canadian dollars)

## 6. PLANT AND EQUIPMENT

As at December 31, 2018, the Company's plant and equipment consisted of the following:

| | Computer and survey equipment | Camp Equipment | Furniture and fixtures | Plant | Trailers | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| Balance, December 31, 2016 | 138,894 | 348,605 | 40,278 | 734,656 | 22,409 | 100,613 | 1,385,455 |
| Additions | 8,457 | 3,499 | - | - | - | - | 11,956 |
| Balance, December 31, 2017 | 147,351 | 352,104 | 40,278 | 734,656 | 22,409 | 100,613 | 1,397,411 |
| Additions | 19,259 | 4,154 | - | - | - | - | 23,413 |
| Balance, December 31, 2018 | 166,610 | 356,258 | 40,278 | 734,656 | 22,409 | 100,613 | 1,420,824 |
| **Accumulated Depreciation** | | | | | | | |
| Balance, December 31, 2016 | 116,801 | 301,989 | 30,483 | 411,436 | 20,068 | 82,854 | 963,631 |
| Depreciation for the year | 7,164 | 13,252 | 1,821 | 45,942 | 534 | 4,769 | 73,482 |
| Balance, December 31, 2017 | 123,965 | 315,241 | 32,304 | 457,378 | 20,602 | 87,623 | 1,037,113 |
| Depreciation for the year | 10,429 | 10,746 | 1,479 | 39,310 | 411 | 3,480 | 65,855 |
| Balance, December 31, 2018 | 134,394 | 325,987 | 33,783 | 496,688 | 21,013 | 91,103 | 1,102,968 |
| **Carrying Amount** | | | | | | | |
| Balance, December 31, 2016 | 22,093 | 46,616 | 9,795 | 323,220 | 2,341 | 17,759 | 421,824 |
| Balance, December 31, 2017 | 23,386 | 36,863 | 7,974 | 277,278 | 1,807 | 12,990 | 360,298 |
| Balance, December 31, 2018 | 32,216 | 30,271 | 6,495 | 237,968 | 1,396 | 9,510 | 317,856 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

| | McIlvenna Bay | Other Saskatchewan Properties | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, December 31, 2017** | 20,256,488 | 6,513,305 | 26,769,793 |
| **Exploration Costs** | | | |
| Administration | 434,475 | - | 434,475 |
| Analysis | 234,978 | - | 234,978 |
| Camp costs | 241,815 | 50 | 241,865 |
| Consulting | 735,366 | 6,511 | 741,877 |
| Drilling | 5,710,325 | - | 5,710,325 |
| Equipment and communications | 339,408 | - | 339,408 |
| Feasibility | 495,817 | - | 495,817 |
| Fuel | 492,085 | - | 492,085 |
| Permitting | 7,929 | - | 7,929 |
| Salaries and benefits | 814,943 | - | 814,943 |
| Transportation and travel | 212,843 | - | 212,843 |
| **Total Exploration Costs** | 9,719,984 | 6,561 | 9,726,545 |
| **Balance, December 31, 2018** | 29,976,472 | 6,519,866 | 36,496,338 |

| | McIlvenna Bay | Other Saskatchewan Properties | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, December 31, 2016** | 19,303,641 | 6,400,967 | 25,704,608 |
| **Acquisition Costs** | | | |
| License fees | - | 7,495 | 7,495 |
| **Exploration Costs** | | | |
| Administration | 314,414 | 88,058 | 402,472 |
| Analysis | 11,654 | 10,618 | 22,272 |
| Camp costs | 37,518 | 50 | 37,568 |
| Consulting | 113,207 | 2,967 | 116,174 |
| Drilling | 251,693 | - | 251,693 |
| Equipment and communications | 31,087 | - | 31,087 |
| Fuel | 71,810 | - | 71,810 |
| Geophysics | 50,698 | - | 50,698 |
| Salaries and benefits | 32,300 | - | 32,300 |
| Transportation and travel | 38,466 | 3,150 | 41,616 |
| **Total Exploration Costs** | 952,847 | 104,843 | 1,057,690 |
| **Balance, December 31, 2017** | 20,256,488 | 6,513,305 | 26,769,793 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

### a) McIlvenna Bay, Saskatchewan

The Company owns a 100% interest in the McIlvenna Bay mineral property located in Saskatchewan ("**McIlvenna Bay**").

Certain claims that make up McIlvenna Bay are subject to a Net Tonnage Royalty of $0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return ("**NSR**") royalty interest in McIlvenna Bay, which can be purchased at any time for $1,000,000.

In December 2017 the Company entered into a technical services agreement (the "**Agreement**") with Glencore Canada Corporation ("**Glencore**"). The Agreement contemplates Glencore contributing its professional and technical services, assistance, guidance and advice in connection with the objective of completing a Feasibility Study on McIlvenna Bay. In consideration, the Company has given Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from McIlvenna Bay at prevailing market rates.

### b) Other Saskatchewan Properties

The Company holds interests ranging from 65% to 100% in five mining claim groups in its Saskatchewan property portfolio, exclusive of McIlvenna Bay ("**Other Saskatchewan Properties**").

The Company has committed, through previous mineral property ownership agreements associated with its Other Saskatchewan Properties, to pay various NSR and net profits interest ("**NPI**") royalties. The NSR royalties range from 2% to 2.5%, with buyout provisions for up to one-half of some of these NSR royalties, and the NPI royalties range from 6% to 10%.

### c) Manitoba Property

The Company holds a 100% interest in one Manitoba property consisting of one claim, which has a carrying value of $Nil at December 31, 2018.

## 8. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

| | $ |
|---|---|
| Balance, December 31, 2016 | - |
| Flow-through share premium liability on the issuance of flow-through common shares | 757,920 |
| Balance, December 31, 2017 | 757,920 |
| Flow-through share premium liability on the issuance of flow-through common shares | 1,129,770 |
| Settlement of flow-through share premium liability pursuant to incurring qualified expenditures | (1,887,690) |
| Balance, December 31, 2018 | - |

## 9. DEFERRED SHARE UNITS

The Company has a deferred share unit plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Each DSU entitles the holder a right to receive the cash equivalent of one common share. Awards are initially charged to profit or loss using the market value of the Company's shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units. At each period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of the separation.

The Company's Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of $10,417 per month. For the year ended December 31, 2018, the Executive Chairman earned 269,975 DSUs (2017: 151,092) for a total value of $105,667 (2017: $48,000) which is recorded as salaries and benefits. In addition, in September 2018, the Executive Chairman received 104,166 DSUs with a total value of $50,000 as a bonus, the amount of which is included in salaries and benefits. The number of outstanding DSUs owed to the Executive Chairman at December 31, 2018 was 1,380,432 (December 31, 2017: 1,006,291) for a total value of $483,151 (December 31, 2017: $417,611) with the liability included in deferred share units on the consolidated statement of financial position.

Effective January 1, 2015, the Company commenced compensating each of its independent directors with DSUs in an amount of $4,000 per quarter. Effective October 1, 2015, the Company's Board passed a resolution to suspend both the DSU arrangement and fees with its independent directors. In January 2018, the Board passed a resolution to reinstate each independent director's compensation to $4,000 per quarter, effective with the quarter commencing October 1, 2017 and in August 2018 the Board passed a resolution to increase the compensation to $5,000 per quarter, effective with the quarter commencing July 1, 2018.

For the year ended December 31, 2018, the independent directors earned a total of 140,850 DSUs (2017: 35,010) for a total value of $54,000 (2017: $12,000) which is recorded as directors' fees. The total number of outstanding DSUs owed to the independent directors at December 31, 2018 was 368,947 (December 31, 2017: 228,097) for a total value of $129,134 (December 31, 2017: $94,664) with the liability included in deferred share units on the consolidated statement of financial position.

For the year ended December 31, 2018, the Company recognized an unrealized gain of $109,657 (2017: unrealized loss $127,303) on the revaluation of DSUs.

## 10. SHARE CAPITAL

### a) Authorized

An unlimited number of common shares without par value
An unlimited number of preference shares without par value

**10. SHARE CAPITAL** (continued)

**b) Share issuance details**

***Year ended December 31, 2018***

(i) On July 5, 2018, the Company completed a non-brokered private placement issuing 4,527,500 common shares on a flow-through basis at a price of $0.66 per share for gross proceeds of $2,988,150. The Company allocated $2,173,200 of the gross proceeds to share capital and the remaining $814,950 to flow-through share premium liability. In connection with the private placement, share issue costs totaled $58,628, including finders' fees of $22,320.

(ii) On June 29, 2018, the Company completed a non-brokered private placement issuing 10,914,900 common shares at a price of $0.48 per share for gross proceeds of $5,239,152.

On June 29, 2018, the Company also completed a non-brokered private placement issuing 1,749,000 common shares on a flow-through basis at a price of $0.66 per share for gross proceeds of $1,154,340. The Company allocated $839,520 of the gross proceeds of the flow-through private placement to share capital and the remaining $314,820 to flow-through share premium liability.

In connection with the June 29, 2018 private placements, share issue costs totaled $196,382 including finders' fees of $187,680.

(iii) During the year ended December 31, 2018, the Company issued 905,000 common shares pursuant to the exercise of 905,000 stock options with a weighted average exercise price of $0.59 per share for proceeds of $533,950. In connection with the exercise, an amount of $348,882 was reclassified from share-based payments reserve to share capital.

***Year ended December 31, 2017***

iv) On December 21 and 29, 2017, the Company completed two tranches of a non-brokered private placement totaling 10,105,600 common shares on a flow-through basis at a price of $0.49 per share for gross proceeds of $4,951,744. The Company allocated $4,193,824 of the gross proceeds to share capital and the remaining $757,920 to flow-through share premium liability.

In connection with the private placement, share issue costs totaled $116,787 including finders' fees of $90,528, of which $52,925 was included in accounts payable and accrued liabilities at December 31, 2017.

v) During the year ended December 31, 2017, the Company issued 2,941,176 common shares pursuant to the exercise of 2,941,176 share purchase warrants with a weighted average exercise price of $0.25 per share for proceeds of $735,294.

**c) Stock options**

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

### c) Stock options (continued)

A summary of the changes in stock options is presented below:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance, December 31, 2016 | 7,115,000 | 0.29 |
| Granted | 1,685,000 | 0.40 |
| Expired | (900,000) | 0.77 |
| Balance, December 31, 2017 | 7,900,000 | 0.26 |
| Granted | 2,295,000 | 0.55 |
| Exercised | (905,000) | 0.59 |
| Forfeited | (33,333) | 0.57 |
| Expired | (25,000) | 0.59 |
| Balance, December 31, 2018 | 9,231,667 | 0.29 |

The following stock options were outstanding as at December 31, 2018:

| Outstanding | | Exercisable | Weighted average Exercise Price | Expiry Date | Weighted average remaining life (in years) |
|---|---|---|---|---|---|
| | | | $ | | |
| 1,625,000 | * | 1,625,000 | 0.20 | January 24, 2019 | 0.07 |
| 671,667 | | 567,222 | 0.25 | May 18, 2019 | 0.38 |
| 100,000 | | 100,000 | 0.17 | May 28, 2019 | 0.41 |
| 165,000 | ** | 121,666 | 0.32 | May 30, 2019 | 0.41 |
| 675,000 | | 675,000 | 0.20 | January 20, 2020 | 1.05 |
| 2,385,000 | | 2,385,000 | 0.11 | March 8, 2021 | 2.19 |
| 1,455,000 | | 970,000 | 0.40 | March 9, 2022 | 3.19 |
| 1,725,000 | | 575,000 | 0.57 | January 31, 2023 | 4.09 |
| 80,000 | | 26,667 | 0.57 | March 7, 2023 | 4.18 |
| 350,000 | | 116,667 | 0.41 | August 23, 2023 | 4.65 |
| 9,231,667 | | 7,162,222 | | | 2.17 |

* Subsequent to December 31, 2018, 100,000 stock options with an exercise price of $0.20 were exercised for proceeds of $20,000, 125,000 stock options expired unexercised and the expiry date of the remaining 1,400,000 stock options was extended.
** Subsequent to December 31, 2018, 50,000 stock options with an exercise price of $0.11 were exercised for proceeds of $5,500.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

### c) Stock options (continued)

The following stock options were outstanding as at December 31, 2017:

| Outstanding | Exercisable | Weighted average Exercise Price | Expiry Date | Weighted average remaining life (in years) |
|---|---|---|---|---|
| | | $ | | |
| 930,000 | 930,000 | 0.59 | January 24, 2018 | 0.07 |
| 1,625,000 | 1,625,000 | 0.20 | January 24, 2019 | 1.07 |
| 100,000 | 100,000 | 0.17 | May 28, 2019 | 1.41 |
| 800,000 | 800,000 | 0.20 | January 20, 2020 | 2.05 |
| 2,760,000 | 1,840,000 | 0.11 | March 8, 2021 | 3.19 |
| 1,685,000 | 561,667 | 0.40 | March 9, 2022 | 4.19 |
| 7,900,000 | 5,856,667 | | | 2.46 |

### d) Share-based payments and share-based payments reserve

The share-based payments expense for the stock options that vested during the year ended December 31, 2018 was $747,080 (2017: $373,831). Of this amount, $594,022 (2017: $293,047) was recorded as share-based payments expense in the consolidated statement of loss and comprehensive loss and $153,058 (2017: $80,784) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the year ended December 31, 2018 and 2017 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2018 | 2017 |
|---|---|---|
| Risk-free interest rate | 2.04% | 0.97% |
| Expected stock price volatility | 85% | 84% |
| Expected dividend yield | 0.0% | 0.0% |
| Expected option life in years | 5.0 | 5.0 |

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the year ended December 31, 2018, the Company reclassified $84,811 (2017: $583,621) from share-based payments reserve to deficit with respect to options that expired or were cancelled during the year.

### e) Share purchase warrants

A summary of the changes in warrants is presented below:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance, December 31, 2016 | 2,941,176 | 0.25 |
| Exercised | (2,941,176) | 0.25 |
| Balance, December 31, 2017 and 2018 | - | - |

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended December 31 consisted of the following:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Accounts receivable | (50,563) | 5,355 |
| Prepaid expenses and deposits | (36,144) | (8,028) |
| Accounts payable and accrued liabilities | 10,313 | 30,427 |
| | (76,394) | 27,754 |

During the years ended December 31, 2018 and 2017, share-based payments expense of $153,058 and $80,784, respectively, were capitalized to exploration and evaluation assets.

As at December 31, 2018, accounts payable and accrued liabilities included $131,622 (December 31, 2017: $2,783) of exploration and evaluation asset expenditures.

As at December 31, 2018, accounts payable and accrued liabilities included an amount of $Nil (December 31, 2017: $52,925) that was recorded as share issue costs.

## 12. FINANCIAL INSTRUMENTS

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under policies and directions approved by the Board. Relevant policies include the Treasury Management Policy and the approval allowing a portion of the Company's cash to be held in US dollars at the discretion of the Chief Executive Officer and the Chief Financial Officer. The Board monitors these policies on an annual basis. The Company's Board has not approved the use of derivative financial products.

### a) Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of investments, which are valued using Level 1 measurements.

### b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

## 12. FINANCIAL INSTRUMENTS (continued)

### b) Credit risk (continued)

The credit risk associated with cash and cash equivalents is minimized as these financial instruments are held with major Canadian commercial banks. In respect of accounts receivable, the Company is not exposed to significant credit risk as the majority consists of amounts due from Canadian governmental agencies.

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

### d) Market risk

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds substantially all of its cash resources in Canadian dollars with an insignificant amount held in US dollars, making currency risk minimal.

#### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment and the deferred share units.

## 13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2017.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

(Expressed in Canadian dollars)

## 13. CAPITAL MANAGEMENT (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

## 14. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (61,765) | (939,939) |
| Canadian federal and provincial income tax rates | 27.00% | 27.00% |
| Income tax recovery based on the above rates | (16,677) | (253,784) |
| Increase (decrease) due to: | | |
| Non-deductible expenses and other permanent differences | 155,437 | 31,948 |
| Tax benefits renounced to flow-through share investors | 2,455,443 | - |
| Non-taxable flow-through share premium | (509,676) | - |
| Change in unrecognized tax assets | (2,015,674) | 253,368 |
| Tax benefit of share issue costs | (68,853) | (31,532) |
| Net income tax recovery | - | - |

The components of unrecognized deferred tax assets are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Share issue costs | 80,940 | 40,855 |
| Exploration and evaluation assets | (1,127,100) | 1,328,343 |
| Plant and equipment | 371,033 | 353,252 |
| Capital losses and other | 865,198 | 831,715 |
| Non-capital losses | 3,704,559 | 3,356,139 |
| Unrecognized deferred tax assets | 3,894,630 | 5,910,304 |

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

(Expressed in Canadian dollars)

## 14. INCOME TAXES (continued)

As at December 31, 2018, the Company had exploration and evaluation expenditures of approximately $31,630,000 (2017: $31,151,000), which are available to carry-forward indefinitely, and non-capital losses of approximately $13,721,000 (2017: $12,431,000) that expire as follows:

| | $ |
|---|---|
| 2025 | 281,000 |
| 2026 | 487,000 |
| 2027 | 2,033,000 |
| 2028 | 319,000 |
| 2029 | 350,000 |
| 2030 | 1,222,000 |
| 2031 | 1,597,000 |
| 2032 | 1,570,000 |
| 2033 | 1,396,000 |
| 2034 | 476,000 |
| 2035 | 1,374,000 |
| 2036 | 631,000 |
| 2037 | 695,000 |
| 2038 | 1,290,000 |
| | 13,721,000 |

## 15. RELATED PARTY TRANSACTIONS

*Key management compensation*

Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the year ended December 31 was as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| Short-term benefits | 1 | 843,638 | 619,390 |
| Share-based payments expense | 2 | 603,629 | 350,227 |
| Directors' fees | 3 | 54,000 | 12,000 |
| Total | | 1,501,267 | 981,617 |

[1] Short-term benefits consisted of salaries, bonuses, health benefits and DSUs for key management personnel, some of which have been capitalized to exploration and evaluation assets.

[2] Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

[3] Directors' fees consisted exclusively of DSUs awarded to the independent directors, which is more fully described in Note 9.

a) During the year ended December 31, 2018, the Company was charged $10,597 (2017: $13,668) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the consolidated statement of loss and comprehensive loss. At December 31, 2018, accounts payable and accrued liabilities included an amount of $2,096 (December 31, 2017: $8,363) for this expense.

(Expressed in Canadian dollars)

## 15. RELATED PARTY TRANSACTIONS (continued)

b) At December 31, 2018, the Company owed a total of 1,749,379 DSUs (December 31, 2017: 1,234,388) fair valued at $612,285 (December 31, 2017: $512,275) to key management personnel, which is included in the consolidated statement of financial position.

c) During the year ended December 31, 2018, the Company charged Metallic Minerals Corp., a company with a former officer in common, an amount of $850 (2017: $Nil) for certain office operating costs. Included in accounts receivable at December 31, 2018 was an amount of $150 (December 31, 2017: $Nil) for these services.

d) During the year ended December 31, 2018, the Company charged Group Ten Metals Inc., a company with a former officer in common, an amount of $775 (2017: $Nil) for certain office operating costs. Included in accounts receivable at December 31, 2018 was an amount of $475 (December 31, 2017: $Nil) for these services.

## 16. OBLIGATION

In May 2018, the Company renewed its office lease agreement for a three-year term expiring June 30, 2021. The future minimum lease payments over the next three calendar years are estimated to be as follows:

| | |
|---|---|
| 2019 | $102,480 |
| 2020 | $102,480 |
| 2021 | $ 51,240 |