PANCONTINENTAL RESOURCES CORPORATION

(formerly, Pancontinental Gold Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pancontinental Resources Corporation

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,074,283 during the year ended December 31, 2018 and that further funds will be required to fund activities for the upcoming year. As stated in Note 1, these events or 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 comprises Management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit,g or otherwise appears to be materially misstated.

We obtained the Management 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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.

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 McCourt.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 25, 2019
Toronto, Ontario

PANCONTINENTAL RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

As at	December 2018	December 2017
ASSETS		
Current		
Cash	**$ 1,725,980**	$ 61,180
Royalty revenue receivable (note 14)	**8,086**	22,002
Sales tax receivable	**24,487**	7,734
Prepaid expenses	**63,872**	2,217
	1,822,425	93,133
Investment in Tortuga Resources (note 7)	**1**	1
	$ 1,822,426	$ 93,134
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 8,15)	**$ 199,735**	$ 297,722
Loans from related parties (note 15)	**129,610**	165,000
Flow-through share premium (notes 9, 10)	**460,005**	-
	789,350	462,722
EQUITY		
Share capital (note 10)	**19,790,126**	17,201,243
Contributed surplus	**4,212,477**	3,481,833
Warrants (note 11)	**751,154**	593,734
Deficit	**(23,720,681)**	(21,646,398)
	1,033,076	(369,588)
	$ 1,822,426	$ 93,134

Nature of operations and going concern (note 1)
Subsequent events (note 20)

Approved by the Board of Directors *"Donald Whalen"* Director (Signed) *"Thomas Layton Croft"* Director (Signed)

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

Years ended December 31,	2018	2017
Other Income		
Royalty revenue (note 14)	**$ 8,086**	$ 21,777
Expenses		
Corporate and administrative (notes 12,15)	**554,393**	477,093
Exploration and evaluation (note 13)	**1,294,333**	529,838
Share-based payments (notes 10,15)	**227,420**	27,050
Foreign exchange loss (gain)	**6,223**	(6,662)
	2,082,369	1,027,319
Net loss and comprehensive loss	**$ (2,074,283)**	$ (1,005,542)
Basic and diluted loss per share (note 17)	**$ (0.016)**	$ (0.010)
Weighted average number of common shares outstanding:		
Basic and diluted	**132,403,682**	99,770,929

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2016	$ 17,107,216	$ 3,454,783	$ 503,224	$ (20,640,856)	$ 424,367
Units issued by private placement (notes 10,11)	100,990	-	90,510	-	191,500
Share issuance costs	(6,963)	-	-	-	(6,963)
Share-based payments (note 10)	-	27,050	-	-	27,050
Net loss for the year	-	-	-	(1,005,542)	(1,005,542)
Balance, December 31, 2017	17,201,243	3,481,833	593,734	(21,646,398)	(369,588)
Units issued by private placements (notes 10,11)	1,292,208	-	449,342	-	1,741,550
Flow-through share private placements (notes 10,11)	1,724,688	-	211,302	-	1,935,990
Flow-through share premiums (note 9)	(460,005)	-	-	-	(460,005)
Shares issued for mineral properties (note 10)	43,000	-	-	-	43,000
Shares issued for debt (note 10)	78,820	-	-	-	78,820
Share issuance costs	(89,828)	-	-	-	(89,828)
Warrants expired	-	503,224	(503,224)	-	-
Share-based payments (note 10)	-	227,420	-	-	227,420
Net loss for the year	-	-	-	(2,074,283)	(2,074,283)
Balance, December 31, 2018	**$ 19,790,126**	**$ 4,212,477**	**$ 751,154**	**$ (23,720,681)**	**$ 1,033,076**

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

Years ended December 31,	2018	2017
Operating activities		
Loss for the year	**$ (2,074,283)**	$ (1,005,542)
Adjustments to reconcile loss to net cash used:		
Share-based payments	**227,420**	27,050
Shares issued for mineral properties	**43,000**	-
Unrealized foreign exchange	**(24,197)**	15,241
	(1,828,060)	(963,251)
Net changes in non-cash working capital items		
Royalty revenue receivable	**14,028**	27,549
Sales tax receivable	**(17,281)**	(2,119)
Prepaid expenses	**(61,697)**	14,237
Accounts payable and accrued liabilities	**4,470**	118,808
	(1,888,540)	(804,776)
Financing activities		
Related party loan advances (note 15)	**12,940**	77,961
Related party loan repayments (note 15)	**(48,750)**	(12,961)
Units issued by private placements	**1,741,550**	191,500
Flow-through share private placements	**1,935,990**	-
Share issuance costs	**(89,828)**	(6,963)
	3,551,902	249,537
Net change in cash	**1,663,362**	(555,239)
Cash, beginning of year	**61,180**	630,676
Effect of exchange rate changes on cash	**1,438**	(14,257)
Cash, end of year	**$ 1,725,980**	$ 61,180
Supplemental disclosure		
Shares issued for debt	**$ 78,820**	$ -

1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Resources Corporation, formerly Pancontinental Gold Corporation, (the "Company"), is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties. The name of the Company was changed on July 3, 2018. The address of the Company's registered office is 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

At December 31, 2018, the Company had working capital of $1,033,075 (2017 – deficit of $369,589), incurred losses for the current year of $2,074,283 (2017 - $1,005,542), and, has an accumulated deficit of $23,720,681 (2017 - $21,646,398).

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

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

These consolidated financial statements for the year ended December 31, 2018 were approved and authorized for issue by the Company's board of directors on April 24, 2019.

Basis of Consolidation and Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation ("Palmetto"), a United States company; and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

BASIS OF PREPARATION (continued)

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Palmetto is the Canadian dollar ("CAD").

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements, in conformity with IFRS, requires the Company's management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company's assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Significant estimates relate to:

- measurement of share-based payments and warrant valuation;
- measurement of shares issued to acquire mineral properties and settle debt;
- measurement of flow-through share premiums;
- impairment of investments;
- recognition of deferred tax assets and liabilities; and,
- establishment of provisions.

Significant judgements relate to:

- ability to continue as a going concern;
- functional currency of the Company and its subsidiary; and,
- choice of accounting policy for exploration and evaluation.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of IFRS 9 – Financial Instruments

The Company adopted IFRS 9 *Financial Instruments*, effective January 1, 2018, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

SIGNIFICANT ACCOUNTING POLICIES (continued)

Below is a summary showing the classification and measurement bases of the Company's financial instruments as a result of adopting IFRS 9 (along with a comparison to IAS 39). There was no impact on the Company's consolidated financial statements from the adoption of IFRS 9.

Financial instrument	IAS 39	IFRS 9
Cash	Fair value through profit or loss	Amortized cost
Royalty revenue receivable	Loans and receivables	Amortized cost
Investment in Tortuga Resources Inc.	Available for sale	Fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans from related parties	Other financial liabilities	Amortized cost

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

A debt instrument that meets both the business model test and cash flow characteristics test must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL, under the fair value option.

Equity instruments that are held for trading 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.

If certain conditions are met, the classification of a financial asset, debt instrument or equity instrument may subsequently need to be reclassified.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Transaction costs and any realized or unrealized gains or losses arising from changes in the fair value of the financial asset or liability held at FVTPL are included in the consolidated statements of comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are 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 statements of comprehensive loss.

Adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15, replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 clarifies how an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted IFRS 15, effective January 1, 2018, resulting in no impact on its consolidated financial statements.

Adoption of IFRIC 23 – Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties under IAS 12, Income Taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. The Company adopted IFRIC 23, effective January 1, 2018. There was no material impact from its adoption.

Flow-Through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are then incurred and renouncement occurs subsequently). On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. The Company follows the retrospective approach, where the obligation to renounce is fulfilled when the paperwork to renounce is filed. Once the obligation is fulfilled, the liability is reduced and the balance is charged to the statement of operations and comprehensive income (loss).

SIGNIFICANT ACCOUNTING POLICIES (continued)

Proceeds received from the issuance of flow-through shares are to be spent on Canadian resource property exploration expenditures prior to the end of calendar year following the year of issuance. The portion of the proceeds expended is described in Note 9.

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

At the time of initial recognition, a taxable temporary difference exists and neither accounting profit nor taxable profit is affected, therefore the initial recognition exemption for deferred income taxes applies.

Foreign Currency Translation

Foreign currency transactions are initially recorded in the entity's functional currency at the transaction date exchange rate. At each reporting date, monetary assets and liabilities that are denominated in a foreign currency are translated into the functional currency using the end of the reporting period exchange rate. All foreign currency adjustments are recognized in the statement of operations and comprehensive income.

Income Taxes

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

Deferred assets and liabilities are recognized for the future tax consequences attributable to the difference between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be recognized.

Interest

The Company classifies interest received and interest paid as an operating cash flow within the statement of cash flows.

Loss per Share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the period.

Exploration and Evaluation

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to discharge the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share-based Payments
The Company accounts for share-based payments using the fair value based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used.

The fair value of stock options, adjusted for expected forfeitures, is recognized as share-based payments expense over each tranche's vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when, the stock options are exercised. The fair value of stock options remains in contributed surplus on expiry of options. Any consideration paid on the exercise of stock options is credited to share capital.

Share Issue Costs
Share issue costs are recorded as a reduction of share capital.

Royalty Revenue
Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement and when collection is reasonably assured.

Warrants
The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing.

If and when the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

In situations where warrants are issued as consideration for goods and services received and some or all of the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

5. NEW STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET ADOPTED

The following standards has been issued but are not yet effective:

IFRS 2 - Share-Based Payments
In June 2016, the IASB issued an amendment to IFRS 2 addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 - Leases
In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS16.

The Company is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures and expects that such impact, if any, would not be material.

6. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholder equity. In order to maintain its capital structure the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not established quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the year. The Company is not subject to any externally imposed capital requirements.

7. INVESTMENT IN TORTUGA RESOURCES INC.

In 2014, the Company acquired 666,667 common shares of Tortuga Resources Inc. for USD $200,000. Tortuga is a private company engaged in the acquisition, exploration and development of oil and gas properties in the United States. The price paid for the common shares represented the fair value at the time of acquisition. The fair value of the investment will be impacted by fluctuations in the United States dollar, investee corporate transactions and other factors, such as, industry developments and government regulations. This financial instrument is classified as FVTPL. An impairment loss was recognized in 2015, resulting in a nominal value of $1 being assigned, as management lowered its outlook for recovering the investment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2018	December 31 2017
Suppliers	**$ 189,236**	$ 122,119
Related parties (note 15)	**10,499**	175,603
	$ 199,735	$ 297,722

9. FLOW-THROUGH SHARE PREMIUM

Balance, December 31, 2017 and 2016	$ -
Liability incurred on flow-through shares issued (i)	374,130
Liability incurred on flow-through shares issued (ii)	85,875
Balance, December 31, 2018	**$ 460,005**

(i) On April 4, 2018, the Company completed a flow-through private placement consisting of 16,266,500 common shares at a price of $0.06 per share for gross proceeds of $975,990.

(ii) On December 19, 2018, the Company completed the first tranche of a flow-through private placement, which consisted of 10,125,000 units at $0.08 per unit for gross proceeds of $810,000.

On December 28, 2018, the Company completed the second tranche of the flow-through private placement, which consisted of 1,875,000 units at $0.08 per unit for gross proceeds of $150,000.

The flow-through premium is derecognized upon the Company filing its renunciation forms with the Canadian government. For the year ended December 31, 2018, the Company expended $922,626 of the $1,935,990 of gross proceeds received in 2018.

10. SHARE CAPITAL

Authorized
Unlimited common shares
Unlimited preferred shares

Issued

	Number	Amount
Balance, December 31, 2016	99,510,354	$ 17,107,216
Shares issued by private placement (i)	3,830,000	191,500
Fair value attributed to warrants (i)	-	(90,510)
Share issuance costs (i)	-	(6,963)
Balance, December 31, 2017	**103,340,354**	**$ 17,201,243**
Shares issued for mineral properties (ii),(iii)	850,000	43,000
Shares issued as debt settlement (iv)	1,126,000	78,820
Shares issued by private placement (v),(vi)	58,862,936	3,677,540
Flow-through share premium (v),(vi)	-	(460,005)
Fair value attributed to warrants (v),(vi)	-	(660,644)
Share issuance costs (v),(vi)	-	(89,828)
Balance, December 31, 2018	**164,179,290**	**$ 19,790,126**

(i) On December 5, 2017, the Company issued 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 5, 2019. If at any time, after April 6, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $70,949 using the relative fair value method.

On December 15, 2017, the Company issued 830,000 units at $0.05 per unit for gross proceeds of $41,500. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 15, 2019. If at any time, after April 16, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $19,561 using the relative fair value method.

Cash commissions paid in relation to these private placements were $6,963.

(ii) On February 28, 2018, the Company issued 300,000 common shares at $0.04 per share in accordance with the option agreement for the Montcalm and Nova Projects (Note 13).

SHARE CAPITAL (continued)

On November 12, 2018, the Company issued 50,000 common shares at $0.07 per share in accordance with a Memorandum of Understanding made with the Flying Post First Nation for land access rights for the Montcalm, Nova and Gambler Projects (Note 13).

(iii) On May 8, 2018, the Company issued 500,000 common shares at $0.055 per share in accordance with the option agreement for the McBride Project (Note 13).

(iv) On May 23, 2018, the Company issued 1,126,000 common shares at $0.07 per share in settlement of trade payables of $78,820. A Company officer/director was issued 500,000 shares to settle $35,000 of management fees.

(v) On April 4, 2018, the Company closed a private placement consisting of: 20,010,000 units at $0.05 per unit for gross proceeds of $1,000,500; and, 16,266,500 flow-through shares at $0.06 per share for gross proceeds of $975,990. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.08 for a period of eighteen (18) months, expiring on October 4, 2019. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.15, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on August 5, 2018. The fair value of the warrants was estimated at $263,683 using the relative fair value method. Cash commissions paid were $4,620.

(vi) On December 19, 2018, the Company closed a private placement consisting of: 10,526,436 units at $0.07 per unit for gross proceeds of $736,850; and, 10,125,000 flow-through units at $0.08 per share for gross proceeds of $810,000. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.12 for a period of eighteen (18) months, expiring on June 19, 2020. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.20, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on April 20, 2019. The fair value of the warrants was estimated at $362,118 using the relative fair value method.

On December 28, 2018, the Company closed a private placement consisting of: 60,000 units at $0.07 per unit for gross proceeds of $4,200; and, 1,875,000 flow-through units at $0.08 per share for gross proceeds of $150,000. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.12 for a period of eighteen (18) months, expiring on June 28, 2020. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.20, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on April 29, 2019. The fair value of the warrants was estimated at $34,843 using the relative fair value method.

Cash commissions paid in relation to these private placements were $52,200.

SHARE CAPITAL (continued)

Stock Options
Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

Stock option transactions and the number of stock options outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2016	8,050,000	$0.10
Granted (i)	500,000	0.12
Expired/Cancelled	(300,000)	0.10
Balance, December 31, 2017	8,250,000	$0.10
Granted (ii)	3,900,000	0.06
Expired/Cancelled	(750,000)	0.11
Balance, December 31, 2018	**11,400,000**	**$0.09**

(i) On January 6, 2017, the Company granted 100,000 stock options to a consultant. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on January 6, 2022.

On March 16, 2017, the Company granted 400,000 stock options to a director/officer. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on March 16, 2022.

(ii) On January 10, 2018, the Company granted 1,200,000 stock options to a director/officer and a consultant. These options vested immediately and were issued with an exercise price of $0.05 and have a five year term, expiring on January 10, 2023.

On May 1, 2018, the Company granted 2,550,000 stock options to directors, officers, an employee and a consultant. These options vested immediately and were issued with an exercise price of $0.07 and have a five year term, expiring on May 1, 2023.

On July 3, 2018, the Company granted 100,000 stock options to an investor relations consultant. These options: vest in instalments of 25,000 options per quarter; were issued with an exercise price of $0.08; and, have a five year term, expiring on July 3, 2023.

On October 1, 2018, the Company granted 50,000 stock options to the Flying Post First Nations ("FPFN"). These options vested immediately and were issued with an exercise price of $0.06 and have a five year term, expiring on October 1, 2023 (Note 13).

SHARE CAPITAL (continued)

Fair value of the options issued were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018	2017
Dividend yield	**Nil**	Nil
Expected volatility (based on historical prices)	**238%**	226%
Risk-free rate of return	**1.88%**	1.22%
Expected life	**5 Years**	5 Years
Share price	**$0.06**	$0.06

During the year ended December 31, 2018, the Company recognized share-based payments expense of $227,420 (2017 - $27,050). The offsetting credit was charged to contributed surplus.

The consultants' and FPFN options were measured using the Black-Scholes option pricing model due to the absence of a reliable measurement of the services granted.

The following summarizes information on the outstanding stock options:

Expiry date	Number	Exercise price	Exercisable	Average remaining contractual life (years)
June 11, 2019	1,900,000	$0.05	1,900,000	0.44
September 21, 2021	4,300,000	$0.12	4,300,000	2.72
November 1, 2021	800,000	$0.12	800,000	2.83
January 6, 2022	100,000	$0.12	100,000	3.01
March 16, 2022	400,000	$0.12	400,000	3.20
January 10, 2023	1,200,000	$0.05	1,200,000	4.02
May 1, 2023	2,550,000	$0.07	2,550,000	4.33
July 3, 2023	100,000	$0.08	50,000	4.50
October 1, 2023	50,000	$0.06	50,000	4.75
	11,400,000	$0.09	11,350,000	2.89

11. WARRANTS

Warrant transactions and number of warrants outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2016	12,726,250	$0.12
Issued	3,830,000	0.07
Balance, December 31, 2017	16,556,250	$0.11
Issued	21,298,218	0.10
Expired	(12,726,250)	0.12
Balance, December 31, 2018	**25,128,218**	**$0.10**

Relative fair value of the warrants were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018	2017
Dividend yield	Nil	Nil
Expected volatility (based on historical prices)	183%	247%
Risk-free rate of return	1.85%	1.54%
Expected life	1.5 Years	2 Years
Share price	$0.055	$0.04

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Exercise price	Weighted average remaining life (years)	Relative fair value
October 4, 2019	10,005,000	$0.08	0.75	$ 263,683
December 5, 2019	3,000,000	0.07	0.93	70,949
December 15, 2019	830,000	0.07	0.95	19,561
June 19, 2020	10,325,718	0.12	1.46	362,118
June 28, 2020	967,500	0.12	1.49	34,843
	25,128,218	$0.10	1.10	$ 751,154

12. CORPORATE AND ADMINISTRATIVE

	2018	2017
Consulting	**$ 1,247**	$ 6,406
Filing and transfer agent fees	**41,493**	23,687
Insurance	**19,306**	24,322
Management fees (note 15)	**195,317**	236,625
Office and general	**11,111**	9,081
Professional fees	**114,725**	78,462
Rent (note 15)	**21,135**	10,674
Salaries and benefits	**20,080**	30,854
Shareholder relations and promotion	**110,476**	34,872
Travel	**19,503**	22,110
	$ 554,393	$ 477,093

13. EXPLORATION AND EVALUATION

	2018	2017
Acquisition costs	**$ 217,000**	$ -
Property costs	**137,555**	187,463
Assaying	**9,857**	49,970
Community relations	**19,674**	-
Consulting/Contracting	**261,952**	71,758
Drilling	**21,005**	119,813
Environmental	**7,370**	-
Equipment and supplies	**31,677**	25,345
Geophysics/Surveys	**280,637**	-
Reports	**76,238**	593
Site costs	**33,664**	11,517
Travel/Transportation	**18,223**	16,825
Wages and benefits	**179,481**	46,554
	$ 1,294,333	$ 529,838

McBride Project – Ontario, Canada

The McBride Project is an exploration-staged nickel-copper-cobalt project located in Limerick Township, approximately 25 kilometres south of Bancroft, Ontario. The McBride Project encompasses a total of 880 hectares and is comprised of the North Zone deposit, the South Zone deposit and the South Extension prospect.

Option Agreement

On April 25, 2018, the Company entered into an option agreement (the "Option Agreement) with Hastings Highlands Resources Limited (the "Optionor"), whereby the Company obtained the right (the "Option") to acquire up to a 76% interest in the McBride Project, by completing the three stages of the Option. Subsequent to December 31, 2018, the Company terminated the Option Agreement and did not earn an interest in the McBride Project. To earn an initial 26% interest in the project, the Company was required to complete the requirements of the first option stage which were:

EXPLORATION AND EVALUATION (continued)

- Pay $142,500 to the Optionor on or before April 25, 2018 (paid);
- Pay applicable annual property taxes;
- Issue 500,000 shares to the Optionor upon receipt of TSX Venture Exchange approval (issued);
- Incur expenditures of $1.5 million during the first year of the Option (not completed).

McBride		**2018**		2017
Acquisition costs	**$**	**170,000**	$	-
Property costs		**7,468**		-
Community relations		**19,674**		-
Consulting/Contracting		**193,057**		-
Drilling		**21,005**		-
Environmental		**7,370**		-
Equipment and supplies		**29,802**		-
Geophysics/Surveys		**66,600**		-
Reports		**71,793**		-
Site costs		**23,658**		-
Travel/Transportation		**18,223**		-
Wages and benefits		**176,205**		-
	$	**804,855**	$	-

Montcalm and Nova Projects – Ontario, Canada
Montcalm and Nova are exploration-stage nickel-copper-cobalt prospective projects located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Montcalm encompasses an area of 3,780 hectares and Nova encompasses an area of 2,080 hectares. The Montcalm and Nova properties are subject to an option agreement as described below.

Option Agreement
On January 5, 2018, the Company entered into an option agreement (the "Option Agreement"), amended on February 20, 2018, with 2522962 Ontario Inc., which was subsequently acquired by Pelangio Exploration Inc. (the "Optionor"). Pursuant to the Option Agreement the Company obtained the right (the "Option") to acquire a 100% interest in the Montcalm and Nova properties. In order to exercise the Option, the Company shall:

(i) Pay the Optionor an aggregate of $140,000 as follows:
- $35,000 on or before June 28, 2018 (paid);
- $35,000 on or before February 28, 2019 (paid, subsequent to December 31, 2018);
- $35,000 on or before February 28, 2020;
- $35,000 on or before February 28, 2021.

(ii) Issue to the Optionor an aggregate of 1,200,000 common shares of the Company as follows:
- 300,000 common shares on or before February 28, 2018 (issued);
- 300,000 common shares on or before February 28, 2019 (issued April 1, 2019);
- 300,000 common shares on or before February 28, 2020;
- 300,000 common shares on or before February 28, 2021.

EXPLORATION AND EVALUATION (continued)

A net smelter return royalty of 2.5% (the" NSR") is payable to the Optionor from all minerals sold from the Montcalm and Nova properties. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for $1,000,000. The Company is required to keep the Montcalm and Nova properties in good standing during the term of the Option Agreement.

Montcalm		**2018**		2017
Acquisition costs	**$**	**37,600**	$	-
Property costs		**2,242**		-
Assaying		**332**		-
Consulting/Contracting		**52,870**		-
Geophysics/Surveys		**203,815**		-
Reports		**2,736**		-
	$	**299,595**	$	-

Nova				
Acquisition costs	**$**	**9,400**	$	-
Property costs		**4,366**		-
Assaying		**9,525**		-
Consulting/Contracting		**15,055**		-
Equipment and supplies		**1,875**		-
Geophysics/Surveys		**10,222**		-
Reports		**1,709**		-
	$	**52,152**	$	-
Total	**$**	**351,747**	$	-

Gambler Project – Ontario, Canada
Gambler is an exploration-stage nickel-copper-cobalt prospective project located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Gambler is adjacent to the Montcalm Project and encompasses an area of 6,980 hectares. The Gambler property was staked by the Company in 2018.

Gambler		**2018**		2017
Property costs	**$**	**21,067**	$	-
Consulting/Contracting		**600**		-
	$	**21,667**	$	-

First Nations – Montcalm, Nova and Gambler Projects
On October 1, 2018, the Company entered into a Memorandum of Understanding ("MOU") with the Flying Post First Nation ("FPFN") that provides a framework for co-operation between the Company and FPFN with respect to aboriginal and treaty rights at the Company's Montcalm, Nova and Gambler Projects. The MOU establishes the prioritization of

EXPLORATION AND EVALUATION (continued)

business, employment and training opportunities for FPFN members. The Company is to compensate FPFN for the impact of all on-the-ground exploration work by paying FPFN 2% of such costs, beginning from the date of the MOU. Pursuant to the terms of the MOU, the Company issued 50,000 common shares and granted 50,000 stock options to FPFN.

Jefferson Project – South Carolina, United States

The Jefferson Project is located in Chesterfield County, South Carolina, United States and at December 31, 2018 consisted of seven exploration-stage gold prospective property leases, encompassing approximately 885 acres. During 2018, the Company relinquished six property leases. The Company has the right to acquire a 100% interest in each of these property leases from private landowners. The remaining property leases range in expiration from 2019 to 2031.

Aggregate lease payments for 2018 amounted to US $79,825 (2017 – US $128,825). Payments for 2019 consist of advance royalty payments (“ARP”) ranging between US $6,000 - $50,000 per lease. Total payments to maintain the leases for 2019 is US $87,000, after giving effect to the leases subsequently relinquished in 2019 (Note 20). The Company reserves the right to relinquish a property lease at any time.

A production royalty of 3.5% (the “Royalty”) is payable to the landowner that owns the property from which minerals are produced. ARPs are non-refundable and will be credited towards the Royalty payable from production.

Jefferson		**2018**		2017
Property costs	**$**	**102,412**	$	187,463
Assaying		**-**		49,970
Consulting/Contracting		**370**		71,758
Drilling		**-**		119,813
Equipment and supplies		**-**		25,345
Reports		**-**		593
Site costs		**10,006**		11,517
Travel/Transportation		**-**		16,825
Wages and benefits		**3,276**		46,554
	$	**116,064**	$	529,838

14. GROSS OVERRIDING ROYALTY

On February 8, 2007, the Company formed a joint venture (the "Joint Venture") with Crossland Strategic Metals Limited ("Crossland") and subsequently earned a 50% interest in a number of Australian properties prospective for rare earth elements ("REE") and uranium. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest in the Joint Venture to Essential Mining Resources Pty Ltd. ("EMR") and retained a gross overriding royalty (“GOR”) of one percent (1%) on sales of production from 100% of the properties ("JV Properties") held by the Joint Venture at the Effective Date. In 2017 a merger between Crossland and EMR ("Crossland") was completed.

On each anniversary of the Effective Date, Crossland is obligated to pay to the Company an advance royalty of AUD $8,423 (2017 - AUD $29,621), which was decreased in 2018 to reflect reductions in the size of the JV Properties. The advance royalty payments: are non-refundable; may be adjusted for future reductions in the size of the JV Properties; and, are to be deducted from the 1% GOR payable to the Company upon the JV Properties being placed into production.

15. RELATED PARTY TRANSACTIONS AND BALANCES

	2018	2017
Management fees (i)	**$ 195,317**	$ 236,625
Rent (ii)	**12,495**	4,674
Share-based payments (iii)	**184,074**	19,650
	$ 391,886	$ 260,949

(i) Management fees were paid or became payable to a Company officer and to companies controlled by or associated with Company officers.

(ii) Rent was paid or became payable to a Company officer and a company controlled by a Company officer.

(iii) Share-based compensation represents the fair value of 3,100,000 (2017 – 400,000) stock options granted to Company directors and officers.

Loans from related parties balance of $129,610 (December 31, 2017 - $165,000) consist of cash loans provided by Company directors/officers or entities controlled by or associated with directors/officers. These loans are non-interest bearing, unsecured and due on demand. The Company: received cash loans of $12,940 (2017 - $77,961) from a director/officer and a company associated with an officer; and, repaid a director for a cash loan of $48,750 (2017 - $nil).

On May 23, 2018, the Company issued 500,000 common shares to an officer to settle management fees totalling $35,000.

A Company director subscribed for $28,200 (360,000 units) of the private placement closed on December 28, 2018 (Note 10).

Pelangio Exploration Inc. is party to the Option Agreement for the Montcalm and Nova Projects, effective December 2018, and is a related party virtue of a common director.

Included in accounts payable and accrued liabilities is $10,499 (December 31, 2017 - $175,603) payable to directors/officers or entities controlled by or associated with directors/officers.

16. KEY MANAGEMENT COMPENSATION

The Company considers its officers and directors to be key management. Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company. Compensation of key management is summarized below.

	2018	2017
Short-term compensation	**$ 224,130**	$ 177,368
Share-based payments	**184,074**	19,650
	$ 408,204	$ 197,018

17. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

18. INCOME TAXES

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the financial statements:

	2018	2017
Loss before income taxes	**$ (2,074,283)**	$ (1,005,542)
Statutory rate	**26.50%**	26.50%
Expected income tax recovery	**(549,685)**	(266,469)
Increase (decrease) resulting from:		
Non-deductible expenses and other permanent differences	**62,286**	18,761
Adjustment to non-capital and net-capital losses	**(749)**	12,102
Effects of difference in foreign exchange	**(22,334)**	(4,228)
Effects of higher tax rates in foreign jurisdiction	**(35,250)**	(83,946)
Change in deferred tax assets not recognized	**545,732**	323,780
Income tax expense	**$ -**	$ -

Deferred Income Taxes

The tax effects of temporary differences that give rise to future income tax assets and deferred income tax liabilities are as follows:

	2018	2017
Exploration and evaluation costs	**$ 2,205,154**	$ 1,847,648
Share issuance costs	**26,221**	10,761
Investment in Tortuga Resources Inc.	**29,251**	29,251
Non-capital loss carry forwards	**1,209,830**	1,037,064
Capital loss carry forwards	**660,882**	672,109
Deferred tax asset	**4,131,338**	3,596,833
Less: Deferred tax assets not recognized	**(4,131,338)**	(3,596,833)
Net deferred income tax asset	**$ -**	$ -

INCOME TAXES (continued)

Tax Credit Carry-forwards

The Company has $6,238,625 in Canadian Federal foreign resource tax pools which may be deducted in the calculation of taxable income in future years. These pools can be carried forward indefinitely. The Company also has available $4,987,788 of capital losses that can be carried forward indefinitely to use against future taxable capital gains. In addition, the Company has Canadian and United States non-capital losses, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

Year of Origin	Year of Expiry	Canada	United States	Total
2018	2038	$ 404,908	$ 165,939	$ 570,847
2017	2037	255,737	141,726	397,463
2016	2036	271,663	87,578	359,241
2015	2035	306,983	-	306,983
2014	2034	57,686	-	57,686
2013	2033	484,230	-	484,230
2012	2032	339,605	-	339,605
2011	2031	429,001	-	429,001
2010	2030	398,478	-	398,478
2009	2029	327,862	-	327,862
2008	2028	284,689	-	284,689
2007	2027	292,677	-	292,677
2006	2026	130,197	-	130,197
		$ 3,983,716	**$ 395,243**	**$ 4,378,959**

The potential tax benefit relating to these tax losses has not been reflected in these financial statements.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The carrying value of the royalty revenue receivable, accounts payable and accrued liabilities and loans from related parties approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The three levels of the hierarchy are:

- Level one - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - includes inputs that are observable, either directly (prices) or indirectly (derived from prices), other than from quoted prices included in level one; and,
- Level three - includes inputs that are not based on observable data.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Classification of Financial Instruments			**December 31 2018**		December 31 2017
Financial assets					
Cash	Amortized cost	**$**	**1,725,980**	$	61,180
Royalty revenue receivable	Amortized cost		**8,086**		22,002
Investment in Tortuga Resources Inc.	Fair value through profit and loss		**1**		1
Financial liabilities					
Accounts payable and accrued liabilities	Amortized cost	**$**	**199,735**	$	297,722
Loans from related parties	Amortized cost		**129,610**		165,000

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The primary risks the Company's financial instruments are exposed to are described below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash and the royalty revenue receivable. The Company mitigates the risk to its cash by depositing a majority of its cash with Canadian and United States banks. Allowances for the royalty revenue receivable are recognized as necessary for potential credit losses.

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 manages liquidity risk through the management of its capital structure as described in Note 6. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand. As at December 31, 2018, the Company had cash of $1,725,980 to settle current liabilities of $789,350. There is a strong probability that the Company will need to raise additional capital to fund its planned expenditures for 2019.

Currency Risk

The Company operates in Canada and the United States, thus exposing the Company to market risks from fluctuations in foreign exchange rates. The Company has certain corporate and administrative expenditures and future potential financial commitments (Note 13) denominated in United States dollars. The Company monitors foreign exchange rates and has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at December 31, 2018, the Company did not have significant exposure to foreign currency risk.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk
The Company is not exposed to any significant interest rate risk. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption. The Company has no interest bearing debt.

20. SUBSEQUENT EVENTS

(a) On January 17, 2019, the Company entered into a binding letter of intent with Pelangio Exploration Inc. (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire up to a 75% interest in an exploration stage nickel-cobalt-copper project (the "Strachan Project'). The Strachan Project encompasses an area of approximately 2,280 hectares within the Montcalm greenstone belt and is located approximately 65 kilometres northwest of Timmins, Ontario. The Option may be exercised in two option stages as follows:

(i) First Option - to earn an initial 60% interest the Company shall:
- Pay the Optionor an aggregate of $40,000 as follows:
  - o $10,000 by February 1, 2019 (paid);
  - o $10,000 by February 12, 2020;
  - o $10,000 by February 12, 2021;
  - o $10,000 by February 12, 2022.
- Issue to the Optionor an aggregate of 400,000 common shares of the Company as follows:
  - o 100,000 common shares by February 12, 2019 (issued);
  - o 100,000 common shares by February 12, 2020;
  - o 100,000 common shares by February 12, 2021;
  - o 100,000 common shares by February 12, 2022.
- Incur a total of $250,000 in exploration expenditures as follows:
  - o $50,000 by February 12, 2020;
  - o $100,000 by February 12, 2021;
  - o $100,000 by February 12, 2022.

(ii) Second Option – to earn an additional 15% interest the Company shall incur an additional $500,000 in exploration expenditures over a three year period as follows:
- $100,000 to be incurred within 12 months of exercising the second option;
- an additional $200,000 to be incurred within 24 months of exercising the second option; and,
- an additional $200,000 to be incurred within 36 months of exercising the second option.

The Company will act as the operator during the first and second option periods. The Company and Optionor are to form a joint venture after: the Company has exercised the first option and elected not to exercise the second option; or, the Company has exercised the second option.

(b) On January 18, 2019, the Company granted 1,100,000 options to directors, officers and consultants of the Company. These options vested immediately and were issued with an exercise price of $0.08 and have a five year term, expiring January 18, 2024.

(c) Subsequent to December 31, 2018, the Company repaid $6,750 of a cash loan provided by a Company director.

SUBSEQUENT EVENTS (continued)

(d) On March 25, 2019, the Company entered into an option agreement with 2681891 Ontario Inc. (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire up to a 100% interest in an exploration stage nickel-copper-cobalt-gold-platinum-palladium project (the "St. Laurent Project'). The St. Laurent Project encompasses an area of approximately 4,170 hectares and is located in St. Laurent township, approximately 160 kilometres northeast of Timmins, Ontario. The Option may be exercised upon completing the following:

(i) Pay the Optionor an aggregate of $145,000 as follows:
- o $15,000 on or before April 17, 2019 (paid);
- o $20,000 on or before April 17, 2020;
- o $50,000 on or before April 17, 2021;
- o $60,000 on or before April 17, 2022.

(ii) Issue to the Optionor an aggregate of 1,850,000 common shares of the Company as follows:
- o 250,000 common shares within 5 days of April 17, 2019 (issued);
- o 350,000 common shares on or before April 17, 2020;
- o 500,000 common shares on or before April 17, 2021;
- o 750,000 common shares on or before April 17, 2022.

A net smelter return royalty of 2.5% (the" NSR") is payable to the Optionor from all minerals sold from the property. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for $1,000,000. The Company will act as operator and is required to keep the property in good standing during the term of the Option Agreement.

(e) In March 2019, the Company terminated the McBride Project option agreement and did not earn an interest.

(f) On April 1, 2019, issued 300,000 common shares pursuant to the Option Agreement for the Montcalm and Nova Projects.

(g) Subsequent to December 31, 2018, the Company relinquished an additional three Jefferson Project leases representing 198 acres.