

TEUTON RESOURCES CORP.

Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Teuton Resources Corp.

Opinion

We have audited the financial statements of Teuton Resources Corp. (the "Company") which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 of the accompanying financial statements, which indicates that the Company incurred a net loss of \$770,632 for the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of \$13,994,125. 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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 auditors' report is Paul Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
April 26, 2019

TEUTON RESOURCES CORP.

Statements of financial position
(Expressed in Canadian dollars)

	December 31, 2018 \$	December 31, 2017 \$
Assets		
Current assets		
Cash	222,516	514,958
Marketable securities (Note 3)	634,660	688,638
Amounts receivable	165,767	39,466
Prepaid expenses and deposits	666	–
Total current assets	1,023,609	1,243,062
Non-current assets		
Due from related party (Note 7(f))	113,272	166,029
Reclamation bonds (Note 6(d))	121,300	104,300
Property and equipment (Note 5)	453,162	218,809
Exploration and evaluation assets (Note 6)	2,934,464	2,758,407
Total non-current assets	3,622,198	3,247,545
Total assets	4,645,807	4,490,607
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	44,650	53,987
Due to related party (Note 7(c))	14,398	30,743
Total liabilities	59,048	84,730
Equity		
Share capital	16,779,613	16,235,273
Share subscriptions received (Note 8)	–	39,000
Share-based payment reserve	1,801,271	1,355,097
Accumulated other comprehensive loss	–	(946,222)
Deficit	(13,994,125)	(12,277,271)
Total equity	4,586,759	4,405,877
Total liabilities and equity	4,645,807	4,490,607

Nature of operations and going concern (Note 1)
Subsequent event (Note 15)

Approved and authorized for issuance on behalf of the Board on April 26, 2019:

Dino Cremonese, Director

Edward Kruchkowski, Director

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

TEUTON RESOURCES CORP.

Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Expenses		
Consulting	60,000	71,156
Depreciation	22,237	24,855
Investor relations	16,443	6,909
Office, rent, and telephone (Note 7(a))	22,345	41,451
Professional fees	41,300	40,300
Salaries and benefits (Note 7(a))	113,269	123,735
Share-based compensation (Note 10)	446,174	—
Transfer agent and regulatory fees	13,344	12,768
Travel	2,174	1,736
Total expenses	737,286	322,910
Loss before other income (expense)	(737,286)	(322,910)
Other income (expense)		
Gain (loss) on disposal of marketable securities	480	(182)
Option proceeds received in excess of capitalized costs	319,902	174,500
Write-off of long-term receivable (Note 4)	—	(72,386)
Unrealized loss on marketable securities (Note 3)	(353,728)	—
Total other income (expense)	(33,346)	101,932
Net loss for the year	(770,632)	(220,978)
Other comprehensive loss		
Unrealized loss on marketable securities (Note 3)	—	(220,110)
Comprehensive loss for the year	(770,632)	(441,088)
Basic and diluted loss per share	(0.02)	(0.01)
Weighted average number of common shares outstanding	37,502,474	30,762,630

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

TEUTON RESOURCES CORP.

Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share	Share-based	Accumulated		Total
	Number of	Amount	subscriptions	payment	other	Deficit	equity
	shares	\$	received	reserve	comprehensive	\$	\$
			\$	\$	income (loss)		
					\$		
Balance, December 31, 2016	30,108,882	16,145,843	13,500	1,355,097	(726,112)	(12,056,293)	4,732,035
Shares issued pursuant to warrants exercised	1,322,000	89,430	(13,500)	—	—	—	75,930
Share subscriptions received	—	—	39,000	—	—	—	39,000
Unrealized loss on marketable securities	—	—	—	—	(220,110)	—	(220,110)
Net loss for the year	—	—	—	—	—	(220,978)	(220,978)
Balance, December 31, 2017	31,430,882	16,235,273	39,000	1,355,097	(946,222)	(12,277,271)	4,405,877
Transfer of unrealized loss on marketable securities upon adoption of IFRS 9	—	—	—	—	946,222	(946,222)	—
Shares issued pursuant to warrants exercised	7,886,000	544,340	(39,000)	—	—	—	505,340
Share-based compensation	—	—	—	446,174	—	—	446,174
Net loss for the year	—	—	—	—	—	(770,632)	(770,632)
Balance, December 31, 2018	39,316,882	16,779,613	—	1,801,271	—	(13,994,125)	4,586,759

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

TEUTON RESOURCES CORP.

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Operating activities		
Net loss for the year	(770,632)	(220,978)
Items not involving cash:		
Depreciation	22,237	24,855
Loss (gain) on disposal of marketable securities	(480)	182
Option proceeds received in excess of capitalized costs	(319,902)	(174,500)
Stock-based compensation	446,174	—
Unrealized loss on marketable securities	353,728	—
Write-off of long-term receivable	—	72,386
Changes in non-cash operating working capital:		
Amounts receivable	(126,301)	167,498
Prepaid expenses and deposits	(666)	2,751
Accounts payable and accrued liabilities	(9,337)	(68,591)
Due to/from related parties, net	36,412	107,063
Net cash used in operating activities	(368,767)	(89,334)
Investing activities		
Proceeds from sale of marketable securities	480	—
Exploration and evaluation asset expenditures	(582,370)	(190,368)
Mineral property option payments received/cost recoveries	436,388	600,555
Purchase of reclamation bonds	(17,000)	—
Purchase of property and equipment	(266,513)	(19,447)
Net cash provided by (used in) investing activities	(429,015)	390,740
Financing activities		
Proceeds from shares issued / share subscriptions received	505,340	114,930
Net cash provided by financing activities	505,340	114,930
Change in cash	(292,442)	416,336
Cash, beginning of year	514,958	98,622
Cash, end of year	222,516	514,958
Non-cash investing and financing activities:		
Depreciation of property and equipment included in exploration and evaluation assets	9,923	10,108
Fair value of marketable securities received as mineral property option payments	299,750	112,000

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

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Teuton Resources Corp. (the "Company") is an exploration stage company and is in the business of acquiring, exploring and dealing in mineral properties in the province of British Columbia, Canada. There has been no determination whether properties held contain economically recoverable ore reserves. The Company jointly conducts business and exploration activities with another publicly listed company, Silver Grail Resources Ltd. ("Silver Grail"). Silver Grail shares office premises and consultants and has common directors. The Company's head office and principal place of business is 2130 Crescent Road, Victoria, BC, Canada. The Company is listed as a Tier 2 mining issuer on the TSX Venture Exchange ("TSX-V") under the symbol "TUO".

In the ordinary course of business, the Company sells or options property interests to third parties, accepting as consideration cash and/or securities of the acquiring party. The Company attempts to realize upon the value of securities as opportunities present themselves. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$13,994,125. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Preparation

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

The financial statements have been prepared on a historical cost basis except for available-for-sale financial assets which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Critical judgments exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these financial statements are as follows:

(i) Economic recoverability and probability of future economic benefits from exploration and evaluation costs

Management has determined that exploratory drilling, exploration evaluation, and related costs incurred which have been capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities, and existing permits.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

(ii) Impairment of property and equipment and exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's property and equipment and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments in which the Company operates that are not within its control and that affect the recoverable amount of its property and equipment and exploration and evaluation assets. Internal sources of information that management considers include the manner in which property and equipment are being used or are expected to be used and indications of economic performance of the assets.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansory capital expenditures, reductions in exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's property and equipment and exploration and evaluation assets.

(iii) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Significant assumptions about the future and other sources of estimation uncertainty in estimates made by management at the statement of financial position date 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) Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net income (loss) and its equity reserves.

(ii) Provisions and contingencies

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its financial statements on the date such changes occur.

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

(iii) Valuation of long-term receivables

Application of the factors of impairment to the facts and circumstances of the amounts comprising long-term receivables (including due from a related party) requires a significant amount of judgement. Should the amounts be considered impaired, significant judgement is required to determine an estimate of their respective values.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

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

(d) Marketable Securities

The Company reports investments in marketable equity securities at fair value based on quoted market prices. All investment securities are designated as fair value through profit or loss with unrealized gains and losses recognized in the statement of operations. Realized gains and losses are accounted for on the specific identification method.

(e) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives using the declining balance basis at the following annual rates:

Building	5%
Computer equipment	30%
Field and drilling equipment	20%
Furniture and equipment	20%
Vehicle	30%

(f) Exploration and Evaluation Expenditures

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

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

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

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

Some of the Company's exploration activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. The Company re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized. Any consideration received in excess of costs previously capitalized is recognized in net income (loss).

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Expenditures (continued)

Concentrate Sales

Concentrate sales incidental to the exploration of mineral properties are recorded net of production costs as a reduction of capitalized exploration and evaluation costs.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from the sale of concentrate is recognized upon delivery when the risks and rewards of ownership are transferred to the customer and neither continuing managerial involvement nor effective control remains over the goods sold. Revenue is based on quoted market prices of the London Metal Exchange during the quotation period less treatment, refining and smelting charges, and penalties.

Metals contained in bulk concentrate sold to third parties are locked in at the time of sale based on the market price of metals at that time. The Company enters into contracts that provide a provisional payment on delivery based upon provisional assays and quoted metal prices at the time. Revenues are recorded when title passes from the Company to the buyer based on the spot price on date of delivery, and subsequently adjusted to market price based on the date of the final settlement.

(g) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value net of transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of operations. The Company's cash and marketable securities are measured at FVTPL.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of operations. Any gain or loss on derecognition is recognized in the statement of operations. The Company's due from related party is measured at amortized cost.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of operations. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of operations. The Company does not have any assets classified as debt investments at FVOCI.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of operations. The Company does not have any assets classified as equity investments at FVOCI.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of operations. Any gain or loss on derecognition is also recognized in the statement of operations. The Company's accounts payable and due to a related party are measured at FVTPL.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of operations.

(iv) Offsetting

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

(v) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(v) Impairment (continued)

Financial assets and contract assets (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(v) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to the statement of operations and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(j) Income Taxes

Current income tax

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

Deferred income tax

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

(k) Flow-through Shares

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

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Foreign Currency Translation

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

(m) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted earnings (loss) per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2018, the Company had 2,800,000 (2017 – 7,886,000) potentially dilutive shares outstanding.

(n) Comprehensive Income (Loss)

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

(o) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(p) Adoption of New Accounting Standards

The Company has adopted the following new standards, along with any consequential amendments effective January 1, 2018.

- IFRS 9, "Financial Instruments" is effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or liabilities on the date of transition. On adoption of IFRS 9 the Company classified its marketable securities at fair value through profit or loss and on the date of transition transferred the unrealized loss of \$946,222 from accumulated other comprehensive loss to deficit. There was no other significant impact on the Company's financial statements from the adoption of IFRS 9.

- IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

There was no significant impact on the Company's financial statements from the adoption of IFRS 15.

(q) Accounting Standards Issued But Not Yet Effective

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

- IFRS 16 replaces IAS 17, "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15, "Revenue from Contracts with Customers". The Company does not expect the adoption of IFRS 16 to have a significant impact on its financial statements, and plans to apply IFRS 16 on a simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. Marketable Securities

	2017 Fair value \$	Additions \$	Disposals \$	Impairment \$	Unrealized loss \$	2018 Fair value \$
Marketable securities	688,638	299,750	–	–	(353,728)	634,660

	2016 Fair value \$	Additions \$	Disposals \$	Impairment \$	Unrealized loss \$	2017 Fair value \$
Marketable securities	796,930	112,000	(182)	–	(220,110)	688,638

The Company holds equity securities in publicly traded companies. During the year ended December 31, 2018, the Company recorded an unrealized loss in the amount of \$353,728 (2017 – \$220,110).

4. Long-term Receivable

On September 26, 2017, pursuant to an agreement between Sunvest Minerals Corp. (“Sunvest”) and Makena Resources Inc. (“Makena”), the receivable of \$72,386 owing from Makena to the Company, which was non-interest bearing, due on demand and secured by Makena’s interest in certain mineral claims described in Note 6(a)(xvi), was assumed by Sunvest. On September 27, 2017, the Company entered into an agreement with Sunvest to forgive the amount owed by Sunvest and recorded a write-off of long-term receivable of \$72,386.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

5. Property and Equipment

	Land \$	Building \$	Computer equipment \$	Field and drilling equipment \$	Furniture and equipment \$	Vehicle \$	Total \$
Cost:							
Balance, December 31, 2016	36,000	86,680	35,113	118,839	64,148	61,129	401,909
Additions	—	—	3,513	15,934	—	—	19,447
Balance, December 31, 2017	36,000	86,680	38,626	134,773	64,148	61,129	421,356
Additions	169,294	95,706	—	1,513	—	—	266,513
Balance, December 31, 2018	205,294	182,386	38,626	136,286	64,148	61,129	687,869
Accumulated depreciation:							
Balance, December 31, 2016	—	2,167	30,997	75,807	55,651	2,962	167,584
Additions	—	4,226	1,480	10,108	1,699	17,450	34,963
Balance, December 31, 2017	—	6,393	32,477	85,915	57,350	20,412	202,547
Additions	—	6,817	1,845	9,923	1,360	12,215	32,160
Balance, December 31, 2018	—	13,210	34,322	95,838	58,710	32,627	234,707
Carrying amounts:							
As at December 31, 2017	36,000	80,287	6,149	48,858	6,798	40,717	218,809
As at December 31, 2018	205,294	169,176	4,304	40,448	5,438	28,502	453,162

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Balance, beginning of year	2,758,407	3,131,442
Depreciation	9,923	10,108
Assays	33,870	35,900
Drilling	156,606	—
Engineering (Note 7)	32,550	20,000
Equipment rental, safety personnel, and supplies	40,355	15,632
Geological and geophysical (Note 7)	276,678	56,874
Helicopters	158,015	42,092
Prospecting, staking, and filing fees	—	7,556
Travel, accommodation, and meals	21,061	9,367
	729,058	197,529
Claims acquired	552	2,947
BC mineral exploration tax credits	(137,317)	(35,456)
Property option and cost recoveries received	(416,236)	(538,055)
	(553,001)	(570,564)
Balance, end of year	2,934,464	2,758,407

(a) Skeena Mining Division, British Columbia

The Company owns or originally owned a 100% interest in the following properties in the Skeena Mining Division.

(i) Treaty Creek Property

On April 4, 2007, the Company entered into an option agreement with American Creek Resources Ltd. ("American Creek") whereby American Creek had the right to earn a 51% interest in the Company's Treaty Creek Property. Under the terms of the option agreement, American Creek earned a 51% interest in the Treaty Creek Property by issuing 100,000 shares and incurring exploration expenditures on the Treaty Creek Property aggregating \$5,000,000.

St. Andrew Goldfields Ltd. has a 2% net smelter return royalty ("NSR") on 24 of the 44 mineral claims included in the Treaty Creek property. A buy-back of 1% of the NSR for \$1,000,000 is exercisable at any time until six months has passed from the commencement of commercial production.

On May 10, 2016, the Company entered into a joint venture agreement with Tudor Gold Corp. ("Tudor Gold") and American Creek with respect to the Treaty Creek property. Pursuant to this joint venture agreement, Tudor Gold will issue 500,000 common shares in the capital of Tudor Gold to each of American Creek and the Company to purchase American Creek's 31% interest and the Company's 29% interest, respectively, in the property (received). Tudor Gold must also incur \$1,000,000 in exploration expenditures during the year ended December 31, 2016 (incurred).

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(i) Treaty Creek Property (continued)

Thereafter, Tudor Gold will hold an immediate 60% interest, and the Company and American Creek will each hold an immediate 20% interest in the joint venture. Both the Company and American Creek's interests are fully carried during the exploration period until a production notice is given. Once a production notice has been received, the Company and American Creek will each be responsible for 20% of the costs going forward under the terms of the joint venture agreement.

The Company retains a 1-2% NSR on 49% of the property with no buyback.

(ii) Bonsai Property

The Company owns a 100% interest in the Bonsai property located in the Skeena Mining Division.

(iii) Leduc Silver Property

The Company owns a 100% interest in the Leduc Silver property located in the Skeena Mining Division.

(iv) Stamp Claims

The Company owns a 100% interest in the Stamp property located in the Skeena Mining Division.

(v) Four J's Claims

On August 9, 2010 and as amended on August 4, 2016 and September 22, 2017, the Company entered into an option agreement with Rotation Minerals Ltd. ("Rotation") whereby Rotation can earn an undivided 50% interest in the Four J's claims, by paying the Company a total of \$180,000 and incurring \$1,800,000 in mineral exploration expenditures as follows:

Cash consideration to be paid to the Company:

- \$20,000 to be paid within 5 business days on execution of the agreement (received);
- a further \$25,000 to be paid on or before August 9, 2011 (received);
- a further \$30,000 to be paid on or before August 9, 2012 (received);
- a further \$15,000 to be paid on or before August 9, 2016 (received);
- a further \$20,000 to be paid on or before August 9, 2017 (received);
- a further \$30,000 to be paid on or before August 9, 2018 (defaulted); and
- a further \$40,000 to be paid on or before August 9, 2019.

Exploration expenditures to be incurred by Rotation:

- \$397,716 on or before September 30, 2016 (incurred);
- a further \$100,000 on or before December 31, 2016 (incurred);
- a further \$500,000 on or before December 31, 2018 (defaulted); and
- a further \$802,284 on or before December 31, 2019.

Subject to Rotation duly exercising the first option above, Rotation will be granted another option to earn an additional 20% interest in the property by performing and paying for such additional exploration work, engineering studies, and reports as may be necessary in order to deliver a feasibility study to the Company. Rotation has 60 days from the date it exercises the first option to elect to earn the additional interest pursuant to the terms of the second option. As of December 31, 2018, Rotation is in default and has determined that it would not be continuing with the option agreement.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(vi) IC2 Claim

On August 5, 2010, the Company paid \$5,000 and issued 40,000 shares to acquire an undivided 100% interest in this mineral claim. The claim is subject to a 1.5% NSR capped at \$500,000. The IC2 Claim was included in the claims optioned to Pretium Resources on July 14, 2015. Refer to Note 6(a)(xv).

(vii) Lord Nelson Claims

On October 26, 2010 and as amended November 25, 2015 and May 16, 2018, the Company entered into an agreement to option out its Lord Nelson claims to Geofine Exploration Consultants Ltd. ("GFX"). On January 12, 2016, GFX entered into a Notice of Assignment with Millrock Resources Inc. ("MRO"), whereby GFX assigned to MRO all of GFX's right, obligation, interest and liabilities as Optionee under the option agreement with the Company.

In order to earn an undivided 100% interest in the property, MRO must pay the remaining \$120,000 balance of the \$210,000 of option payments and incur the remaining \$898,405 balance of the required \$1,200,000 in exploration expenditures as follows:

Cash consideration to be paid to the Company:

- \$15,000 on or before November 1, 2016 (received);
- a further \$20,000 to be paid on or before November 1, 2017 (received);
- a further \$17,500 to be paid on or before November 1, 2018 (received);
- a further \$17,500 to be paid on or before November 1, 2019; and
- a further \$50,000 to be paid on or before November 1, 2020.

Notwithstanding the above, each of the option payment requirements shall be reduced by a \$5,000 credit each year that GFX stores the Company's core at its facility.

The \$898,405 of exploration expenditures must be incurred by MRO on or before November 1, 2020 with no specific annual expenditure amounts required.

The Company retains an NSR of 2%. An advance royalty of \$50,000 a year, indexed to inflation, is payable to the Company beginning in 2016 (extended to November 1, 2020).

(viii) High South Claims

On April 11, 2011, the Company issued 600,000 common shares with a fair value of \$342,000 pursuant to an agreement to purchase 12 mineral claims situated in the High South region. These claims are subject to a 2% NSR.

(ix) Fairweather Property

On December 15, 2015, the Company entered into an option agreement with Tudor Holdings Ltd. ("Tudor") whereby Tudor has the right to earn a 100% interest in the Company's Fairweather property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold Corp. ("Tudor Gold").

The property consists of six claims. On December 20, 2016, the Company entered into an amending agreement with Tudor Gold. To earn the 100% interest, Tudor Gold must pay a total of \$350,000 and issue 700,000 shares in the capital of Tudor Gold to the Company over five years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$50,000 and increase the number of shares to be issued by 166,667.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(ix) Fairweather Property (continued)

Cash consideration to be paid:

- \$30,000 to be paid upon signing of the agreement (received);
- a further \$20,000 to be paid on or before December 20, 2016 (received);
- a further \$60,000 to be paid on or before December 15, 2018 (extended to June 1, 2019);
- a further \$70,000 to be paid on or before December 15, 2019; and
- a further \$120,000 to be paid on or before December 15, 2020.

Tudor has agreed to use its commercially reasonable efforts to sell the claims in the agreement to Tudor Gold at cost. The shares of Tudor Gold will then be issued to the Company as follows:

Share consideration to be paid:

- 250,000 shares of Tudor Gold to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2016 (received);
- a further 216,667 shares of Tudor Gold to be issued within two days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2018 (extended to June 1, 2019);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2019; and
- a further 250,000 shares of Tudor Gold to be issued on or before December 15, 2020.

The Company retains an NSR of 1.0% to 2.0% with no buyback.

(x) Tennyson Property, British Columbia

The Company owns a 100% interest in the Tennyson gold-copper property located in the Skeena Mining Division.

(xi) Delta Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's Delta property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 10 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 333,333.

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (received);
- a further \$100,000 to be paid on or before March 1, 2019 (extended to June 1, 2019); and
- a further \$600,000 to be paid on or before March 1, 2020.

TEUTON RESOURCES CORP.

Notes to the financial statements

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(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xi) Delta Claims (continued)

Share consideration to be paid:

- 333,333 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received).

The Company retains an NSR of 1.5 to 2.5% with no buyback.

(xii) High North Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's High North property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 5 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 333,333.

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (received);
- a further \$100,000 to be paid on or before March 1, 2019 (extended to June 1, 2019); and
- a further \$600,000 to be paid on or before March 1, 2020.

Share consideration to be paid:

- 333,333 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received).

The Company retains an NSR of 2.5% with no buyback.

(xiii) Orion Claims

On June 1, 2016, the Company entered into an option agreement with Tudor Gold whereby Tudor Gold has the right to earn a 100% interest in the Company's Orion property located in the Skeena Mining Division. The property consists of 8 claims. To earn the 100% interest, Tudor Gold must pay a total of \$700,000 and issue 700,000 shares to the Company over five years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$50,000 and increase the number of shares to be issued by 166,667.

Cash consideration to be paid:

- \$50,000 to be paid upon signing of the agreement (received);
- a further \$50,000 to be paid on or before June 1, 2017 (received);
- a further \$50,000 to be paid on or before June 1, 2019;
- a further \$50,000 to be paid on or before June 1, 2020; and
- a further \$450,000 to be paid on or before June 1, 2021.

TEUTON RESOURCES CORP.

Notes to the financial statements

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6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xiii) Orion Claims (continued)

Share consideration to be paid:

- 250,000 shares to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2017 (received);
- a further 216,667 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received);
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2019;
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2020; and
- a further 250,000 shares of Tudor Gold to be issued on or before June 1, 2021.

The Company retains an NSR of 2.5% with no buyback.

(xiv) Del Norte and Midas Properties

On September 28, 2005, the Company optioned the Del Norte Property and adjoining Midas Property to Sabina Resources Limited ("Sabina"), which later changed its name to Sabina Silver Corporation. The Del Norte property consists of 23 claims representing 8,586 hectares. The Midas property is jointly owned with Silver Grail and consists of 7 claims.

Under the terms of the option agreement, Sabina earned 50% interest in the properties by paying a total of \$240,000 and incurring exploration expenditures on the Del Norte property aggregating \$2,500,000.

Sabina has the right to acquire, on 60 days notice to the Company, an additional 15% interest in the properties by completing a feasibility study in relation to the properties. The parties would then proceed on a joint venture basis.

Silver Grail, which currently owns the Midas Property jointly with the Company, retains certain participation rights.

On July 16, 2014, the Company issued 100,000 shares to Sabina pursuant to the purchase and sale agreement with Sabina to acquire Sabina's 50% interest in the Del Norte and Midas properties. The Company owns a 100% interest in the Del Norte Property and a 75% interest in the Midas Property.

(xv) King Tut, Tuck, and Silver Crown West Claims

On July 14, 2015 and as amended on April 21, 2016, the Company entered into an option agreement with Pretium Resources Inc. ("Pretium") whereby Pretium has the right to earn a 100% interest in the Company's King Tut, Tuck, and Silver Crown West properties located in the Skeena Mining Division. The King Tut and Tuck properties are 100% owned by the Company while the Silver Crown West properties are jointly owned by the Company and Silver Grail. All three properties consist of 18 claims. To earn the 100% interest, Pretium must pay a total of \$1,800,000 to the Company over four years as follows:

TEUTON RESOURCES CORP.

Notes to the financial statements

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(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xv) King Tut, Tuck, and Silver Crown West Claims (continued)

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$150,000 to be paid on or before August 15, 2015, after Pretium has obtained the approval of its Board of Directors to the agreement (received);
- a further \$250,000 to be paid on or before January 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2017 (received);
- a further \$400,000 to be paid on or before July 14, 2018 (received); and
- a further \$400,000 to be paid on or before July 14, 2019.

The Company retains an NSR of 2% with no buyback.

Concurrently, the Company and Silver Grail entered into a letter agreement with regards to the option agreement between Pretium and the Company. As the Silver Crown West property is jointly owned by the Company and Silver Grail, as consideration, \$50,000 of the option proceeds are to be applied against any outstanding debt owed from Silver Grail to the Company (the "Debt"). Silver Grail retains one-half of any NSR payable by Pretium to the Company in regards to mineral production from the Silver Crown West property. If during this process the debt has been repaid, then Silver Grail is entitled to its share of the option proceeds and NSR in cash payments.

The Company jointly owns or originally jointly owned the following properties in the Skeena Mining Division with Silver Grail.

(xvi) Clone Property

On November 28, 2005, the Company and Silver Grail entered into an option agreement with Makena Resources Inc. ("Makena") whereby Makena has the right to earn a 50% interest in Silver Grail's and the Company's jointly owned Clone property, then comprised of 9 claims. An additional 10 claims were added to the property by staking in 2006.

Under the terms of the option agreement, Makena earned 50% interest in the properties by paying a total of \$120,000 cash consideration and incurring exploration expenditures on the Clone property aggregating \$1,800,000.

On September 27, 2017 (as amended October 3, 2018), the Company and Silver Grail entered into an option agreement with Sunvest Minerals Corporation ("Sunvest"), whereby Sunvest has the right to earn the Company and Silver Grail's 50% beneficial interest in the Clone Property. To earn this interest Sunvest is to issue a total of 5,000,000 of its shares, pay a total of \$200,000, and incur exploration expenditures on the property aggregating \$1,950,000.

On October 3, 2018, the Company entered into an amending agreement with Sunvest to reduce the total cash to be paid by \$25,000 and reduce the number of shares to be issued by 1,000,000.

Cash consideration to be paid equally to the Company and Silver Grail:

- \$25,000 to be paid on execution of the agreement (received);
- a further \$75,000 (\$50,000 in cash and issuance of 500,000 shares in lieu of the remaining balance) to be paid on or before September 27, 2018 (received); and
- a further \$100,000 to be paid on or before September 27, 2019;

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For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xvi) Clone Property (continued)

Shares in the common stock of Sunvest to be issued equally to the Company and Silver Grail:

- 1,500,000 shares to be issued within five business days of September 27, 2017 (received);
- a further 1,500,000 shares to be issued on or before September 27, 2018 (received); and
- a further 2,000,000 shares to be issued on or before September 27, 2019.

Exploration expenditures to be incurred by Sunvest:

- \$350,000 on or before September 27, 2018 (incurred);
- \$600,000 on or before September 30, 2019; and
- \$1,000,000 on or before September 30, 2020.

The Company and Silver Grail retain an NSR of 2%, one-half of which can be repurchased for \$1,500,000.

(xvii) Konkin Silver Property

On April 20, 2004, the Company and Silver Grail purchased a 100% interest in 2 claims representing eight units situated within the boundaries of the Konkin Silver property. In fiscal 2004, the Company issued 50,000 of its shares at a fair value of \$13,750 and paid \$10,000 to the vendor for its 50% share of the claims. The vendor retains a 2% NSR, one-half of which can be purchased for \$1,000,000 until 18 months following the commencement of commercial production.

(xviii) Tenure #508269

The Company owns a 50% interest in 1 claim representing 612 hectares situated in the Skeena Mining Division known as Tenure #508269. The remaining 50% interest is owned by Silver Grail.

On December 1, 2006 (as amended on February 25, 2019), the Company and Silver Grail entered into an option agreement with Decade whereby Decade has the right to earn 100% interest in the property by issuing a total of 300,000 of its shares, paying a total of \$100,000 cash, and incurring exploration expenditures on the Property aggregating \$1,500,000 as follows:

Shares in the common stock of Decade to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued on the execution of the agreement (received); and
- a further 200,000 shares to be issued on or before November 17, 2010 (received).

Cash consideration to be paid equally to the Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before November 17, 2007 (received);
- a further \$20,000 to be paid on or before November 17, 2008 (received);
- a further \$25,000 to be paid on or before November 17, 2009 (received); and
- a further \$30,000 to be paid on or before November 17, 2010 (received).

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6. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xviii) Tenure #508269 (continued)

Exploration expenditures to be incurred by Decade:

- \$100,000 before December 31, 2007 (incurred);
- \$300,000 in aggregate before December 31, 2008 (incurred);
- \$600,000 in aggregate before December 31, 2009 (incurred);
- \$1,000,000 in aggregate before December 31, 2010 (incurred); and
- \$1,500,000 in aggregate before December 31, 2012 (extended to December 31, 2019)

On February 15, 2019, the Company and Silver Grail agreed to extend the due date of the \$1,500,000 in aggregate exploration expenditures to be incurred by Decade to December 31, 2019 in consideration of a \$10,000 cash payment by Decade and Decade agreeing to forego the buyback of one-half of the NSR as per the terms of the option agreement.

(xix) Bay Silver Claims

The Company owns a 50% interest in the Bay Silver property located in the Skeena Mining Division. Silver Grail owns the remaining 50% interest.

On August 16, 2018, the Company and Silver Grail entered into an agreement to option out their Bay Silver Property to Auramex Resources Corp. ("Auramex"), whereby Auramex has the right to earn an undivided 100% ownership in the property. To earn this interest, Auramex is to issue 500,000 of its shares and pay a total of \$120,000 as follows:

Cash consideration to be paid equally to Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before July 28, 2019;
- a further \$20,000 to be paid on or before July 28, 2020;
- a further \$25,000 to be paid on or before July 28, 2021; and
- a further \$50,000 to be paid on or before July 28, 2022.

Common shares of Auramex to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued within three business days of regulatory approval for this agreement (received);
- a further 100,000 shares to be issued on or before July 28, 2019;
- a further 100,000 shares to be issued on or before July 28, 2020;
- a further 100,000 shares to be issued on or before July 28, 2021; and
- a further 100,000 shares to be issued on or before July 28, 2022.

Upon the exercise of the option, the Company and Silver Grail will retain a 2% NSR with an advance royalty payment of \$50,000 plus an additional increment payable according to inflation between 2018 and 2025 as measured by the Canadian Consumer Price Index ("CPI") first due from Auramex on June 28, 2025. The advance royalty will thereafter be payable yearly on July 28, as adjusted by the CPI. Auramex will have the right to purchase one-half of the Company's and Silver Grail's NSR at any time up to including ninety days after the commencement of commercial production on the property by paying \$1,000,000.

(b) Roman Property, New Westminster Mining Division, British Columbia

The Company owns a 50% interest in 8 claims located in the New Westminster Mining Division. The remaining 50% interest is owned by Silver Grail.

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Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (continued)

(c) Yellow Chris Property, Liard Mining Division, British Columbia

The Company owns a 100% interest in the Yellow Chris South Claims located in the Liard Mining Division.

(d) Reclamation Bonds

Reclamation bonds are amounts pledged to the province of British Columbia for property reclamation. The bonds mature and roll over each year until the Company is released from its obligations.

7. Related Party Transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and senior officers.

The aggregate remuneration of the Company's key management consists of:

	2018	2017
Salary	\$ 108,000	\$ 120,000
Geological, engineering, rent and consulting fees	48,000	36,000
Share-based compensation	288,089	—
Total	\$ 444,089	\$ 156,000

- (a) For the year ended December 31, 2018, the Company incurred salary of \$108,000 (2017 - \$120,000), office and rent expenses of \$12,000 (2017 - \$12,000), engineering fees that were capitalized to exploration and evaluation assets of \$36,000 (2017 - \$24,000) and exploration fee reimbursements of \$nil (2017 - \$12,823) from the President of the Company.
- (b) For the year ended December 31, 2018, the Company incurred exploration fees that were capitalized to exploration and evaluation assets of \$7,600 (2017 - \$2,400) from a person related to the President of the Company.
- (c) As at December 31, 2018, the amount of \$14,398 (2017 - \$23,743) was owed to the President of the Company, which is non-interest bearing, unsecured, and due on demand.
- (d) As at December 31, 2018, the amount of \$nil (2017 - \$6,800) was owed to a person related to the President of the Company, which is non-interest bearing, unsecured, and due on demand.
- (e) As at December 31, 2018, the amount of \$nil (2017 - \$7,000) was owed to a Company controlled by the President of the Company, which is non-interest bearing, unsecured, and due on demand.
- (f) The Company carries on joint exploration activity with Silver Grail, a company having directors in common with the Company. As at December 31, 2018, the Company owns 207,932 common shares in Silver Grail with a fair value of \$8,317 (2017 - \$15,595). As at December 31, 2018, the amount of \$113,272 (2017 - \$166,029) was owed from Silver Grail, which is non-interest bearing, secured by certain mineral properties owned jointly with the Company, and due on demand.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

8. Share Capital

The authorized share capital of the Company consists of 100,000,000 of common shares without par value.

Share transactions for the year ended December 31, 2018:

- (a) During the year ended December 31, 2018, the Company issued 7,886,000 common shares for proceeds of \$544,340 pursuant to the exercise of share purchase warrants, of which \$39,000 was received as at December 31, 2017.

Share transactions for the year ended December 31, 2017:

- (b) During the year ended December 31, 2017, the Company issued 1,322,000 common shares for proceeds of \$89,430 pursuant to the exercise of share purchase warrants.
- (c) As at December 31, 2017, the Company had received \$39,000 in share subscription proceeds pursuant to the exercise of share purchase warrants.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2016	11,467,000	0.16
Exercised	(1,322,000)	0.07
Expired	(2,259,000)	0.55
Balance, December 31, 2017	7,886,000	0.07
Exercised	(7,886,000)	0.07
Balance, December 31, 2018	—	—

10. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares at the time of the grant. The exercise price of each option shall not be less than the market price of the Company's stock on the date of the grant. Options granted under the plan have a maximum term of 10 years and vest as determined by the board of directors, except for options granted to consultants performing investor relations activities, which vest as to 25% three months from the grant date and 25% every three months thereafter, such that the options are 100% vested 12 months after the grant date.

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

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2016 and 2017	—	—
Granted	2,800,000	0.23
Outstanding, December 31, 2018	2,800,000	0.23

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Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

10. Stock Options (continued)

Additional information regarding stock options outstanding as at December 31, 2018 is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.195	1,500,000	3.7	0.195
0.270	1,300,000	2.5	0.270
	2,800,000	3.2	0.230

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

	Year ended December 31, 2018	Year ended December 31, 2017
Risk-free interest rate	2.13%	—
Expected life (in years)	3.8	—
Expected volatility	137%	—

The total fair value of the stock options granted during the year ended December 31, 2018 was \$446,174 (2017 – \$nil), which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2018 was \$0.16 (2017 – \$nil) per share.

11. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis are presented on the Company's statement of financial position as of December 31, 2018 as follows:

	Fair Value Measurements Using			Balance as at December 31, 2018 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Assets:				
Cash	222,516	—	—	222,516
Marketable securities	634,660	—	—	634,660
Total assets measured at fair value	857,176	—	—	857,176

The fair values of other financial instruments, which include amounts receivable, amounts due to and from related parties, and accounts payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

11. Financial Instruments and Risks (continued)

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Significant unobservable (no market data available) inputs which are supported by little or no market activity.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, marketable securities and amounts receivable. The Company limits its exposure to credit loss by placing its cash and marketable securities with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Amounts receivable consists of BC mineral exploration tax credits and GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company is not exposed to any significant foreign exchange risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

All of the Company's financial liabilities have maturities of one year or less:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
<i>As at December 31, 2018</i>	\$	\$	\$	\$	\$
Accounts payable	9,694	(9,694)	(9,694)	–	–
Due to related party	14,398	(14,398)	(14,398)	–	–
Total	24,092	(24,092)	(24,092)	–	–
	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
<i>As at December 31, 2017</i>	\$	\$	\$	\$	\$
Accounts payable	16,018	(16,018)	(16,018)	–	–
Due to related party	30,743	(30,743)	(30,743)	–	–
Total	46,761	(46,761)	(46,761)	–	–

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

11. Financial Instruments and Risks (continued)

(f) Price Risk

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

12. Segmented Information

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in Canada.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2018 \$	2017 \$
Canadian statutory income tax rate	27%	26%
Income tax provision (recovery) at statutory rate	(208,071)	(57,454)
Tax effect of:		
Permanent differences and other	113,561	(50,307)
Change in enacted tax rates	—	(57,181)
Change in unrecognized deferred income tax assets	94,510	164,942
Income tax recovery	—	—

TEUTON RESOURCES CORP.

Notes to the financial statements

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14. Income Taxes (continued)

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

	2018 \$	2017 \$
Deferred income tax assets (liabilities)		
Capital losses carried forward	122,309	115,533
Non-capital losses carried forward	1,448,065	1,374,666
Marketable securities	449,890	354,383
Investment tax credit	217,518	217,518
Property and equipment	64,103	55,419
Resource pools	(366,336)	(277,283)
Share issuance costs	804	1,607
Total gross deferred income tax assets	1,936,353	1,841,843
Unrecognized deferred income tax assets	(1,936,353)	(1,841,843)
Net deferred income tax assets	—	—

As at December 31, 2018, the Company has non-capital losses carried forward of \$5,363,203 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	303,240
2032	1,101,381
2033	937,434
2034	1,530,081
2035	623,572
2036	293,113
2037	302,531
2038	271,851
	5,363,203

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15. Subsequent Event

On March 15, 2019, the Company and Silver Grail Resources Ltd. entered into an option agreement with Auramex Resources Corp. to option out their jointly owned Silver Crown Property comprised of 11 mineral tenures located in the Skeena mining division of British Columbia. To earn an undivided 100% ownership interest in the property, Auramex is to pay a total of \$120,000 and issue 500,000 of its common shares as follows:

Cash consideration to be paid equally to the Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement;
- a further \$15,000 to be paid on or before March 15, 2020;
- a further \$20,000 to be paid on or before March 15, 2021;
- a further \$25,000 to be paid on or before March 15, 2022; and
- a further \$50,000 to be paid on or before March 15, 2023.

Common shares of Auramex to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued within five business days of regulatory approval for this agreement;
- a further 100,000 shares to be issued on or before March 15, 2020;
- a further 100,000 shares to be issued on or before March 15, 2021;
- a further 100,000 shares to be issued on or before March 15, 2022; and
- a further 100,000 shares to be issued on or before March 15, 2023.

Upon the exercise of the option, the Company and Silver Grail will retain a 2% NSR with an advance royalty payment of \$50,000 plus an additional increment payable according to inflation between 2019 and 2026 as measured by the Canadian Consumer Price Index ("CPI") first due from Auramex on February 28, 2026. The advance royalty will thereafter be payable yearly on February 28, as adjusted by the CPI. Auramex will have the right to purchase one-half of the Company's and Silver Grail's NSR at any time up to including 90 days after the commencement of commercial production on the property by paying \$1,000,000.