HIGHWAY 50 GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED

December 31, 2018 AND 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Highway 50 Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Highway 50 Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Highway 50 Gold Corp. 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 ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to the consolidated financial statements, which indicates that the Company incurred a loss of $2,118,201 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $123,824. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 23, 2019

HIGHWAY 50 GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS
AS AT

		December 31, 2018		December 31, 2017
ASSETS				
Current				
Cash	$	326,400	$	68,481
Receivables (Note 4)		31,399		51,638
Prepaid expenses		1,526		1,555
		359,325		121,674
Equipment (Note 7)		16,428		12,235
Reclamation bonds (Note 5)		120,301		110,774
Exploration and evaluation assets (Note 6)		3,147,399		3,772,130
	$	3,643,453	$	4,016,813
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	34,797	$	10,974
Flow-through share premium liability (Note 8)		352		7,409
Due to related parties (Note 10)		448,000		147,000
		483,149		165,383
Shareholders' equity				
Capital stock (Note 9)		8,093,677		6,908,159
Share compensation reserve (Note 9)		1,459,516		1,217,959
Deficit		(6,392,889)		(4,274,688)
		3,160,304		3,851,430
	$	3,643,453	$	4,016,813

Nature and continuance of operations (Note 1)
Basis of preparation (Note 2)

On behalf of the Board:

"Gordon P. Leask" Director "Megan Cameron-Jones" Director

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

HIGHWAY 50 GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
EXPRESSED IN CANADIAN DOLLARS

	Year ended December 31, 2018	Year ended December 31, 2017
EXPENSES		
Accounting and audit (Note 10)	$ 57,450	$ 58,700
Amortization (Note 7)	4,158	4,623
Bank charges and interest	1,284	2,033
Consulting fees (Note 10)	300,000	250,000
Stock-based compensation (Note 9,10)	241,557	27,729
Investor relations and shareholder information	895	1,136
Legal	5,025	4,873
Office and administration	38,801	55,530
Rent	54,308	55,507
Transfer agent and listing fees	20,828	19,462
	(724,306)	(479,593)
Finance income	312	5,615
Settlement of flow-through premium liability (Note 8)	89,689	42,591
Write-down of exploration and evaluation assets (Note 6)	(1,492,288)	-
Gain (loss) on foreign exchange	8,392	(22,937)
Loss and comprehensive loss for the year	$ (2,118,201)	$ (454,324)
Basic and diluted loss per common share	$ (0.06)	$ (0.02)
Weighted average number of common shares outstanding, basic and diluted	32,708,605	29,720,282

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

HIGHWAY 50 GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
FOR THE YEARS ENDED DECEMBER 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,118,201)	$ (454,324)
Items not affecting cash:		
Amortization	4,158	4,623
Stock-based compensation	241,557	27,729
Settlement of flow-through premium liability	(89,689)	(42,591)
Write-down of exploration and evaluation assets	1,492,288	
Foreign exchange	(9,527)	8,089
Change in non-cash working capital items:		
Receivables	20,239	(23,992)
Prepaid expenses	29	6,486
Accounts payable and accrued liabilities	3,208	(3,494)
Due to related parties	301,000	147,000
Net cash used in operating activities	(154,938)	(330,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(8,351)	-
Exploration and evaluation assets	(846,942)	(886,794)
Net cash used in investing activities	(855,293)	(886,794)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	60,000	-
Repayment of loans payable	(60,000)	-
Issuance of common shares for cash	1,302,000	917,000
Share issue costs	(33,850)	(26,595)
Net cash provided by financing activities	1,268,150	890,405
Change in cash for the year	257,919	(326,863)
Cash, beginning of year	68,481	395,344
Cash, end of year	$ 326,400	$ 68,481

Supplemental disclosure with respect to cash flows (Note 11)

HIGHWAY 50 GOLD CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS`EQUITY
EXPRESSED IN CANADIAN DOLLARS
FOR THE YEARS ENDED DECEMBER 31

	Number of Shares		Capital Stock		Share Compensation Reserve		Deficit		Total
Balance, December 31, 2016	27,447,570	$	6,067,754	$	1,190,230	$	(3,820,364)	$	3,437,620
Private placement	2,835,000		917,000		-		-		917,000
Share issue costs	-		(26,595)		-		-		(26,595)
Stock-based compensation	-		-		27,729		-		27,729
Flow-through share premium liability	-		(50,000)		-		-		(50,000)
Loss for the year	-		-		-		(454,324)		(454,324)
Balance, December 31, 2017	30,282,570		6,908,159		1,217,959		(4,274,688)		3,851,430
Private placement	4,698,249		1,302,000		-		-		1,302,000
Share issue costs	-		(33,850)		-		-		(33,850)
Stock-based compensation	-		-		241,557		-		241,557
Flow-through share premium liability	-		(82,632)		-		-		(82,632)
Loss for the year	-		-		-		(2,118,201)		(2,118,201)
Balance, December 31, 2018	34,980,819	$	8,093,677	$	1,459,516	$	(6,392,889)	$	3,160,304

1. NATURE AND CONTINUANCE OF OPERATIONS

Highway 50 Gold Corp. (the "Company") is a Canadian company incorporated in British Columbia. The Company's activities have focused on exploration and evaluation assets located in British Columbia and Nevada, USA. The Company's registered and records office is at Suite 910, 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's head office is at Suite 2300, 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The common shares of the Company are listed on the TSX Venture Exchange (the "Exchange") and trade under the symbol "HWY".

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at December 31, 2018, the Company had working capital deficiency of $123,824 and an accumulated deficit of $6,392,889. These items may cast a significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

These consolidated financial statements were authorized by the board of directors of the Company on April 23, 2019.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of December 31, 2018.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

Carrying value and recoverability of exploration and evaluation assets

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

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

2. BASIS OF PREPARATION (cont'd…)

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 10). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the entities' functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the entity that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Company has adopted new accounting standard IFRS 9 – Financial Instruments, effective January 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's financial statements.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive Income rather than in net earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Upon adoption of IFRS 9, the Company's accounting policy for financial instruments is as follows:

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

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

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

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. 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 or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at December 31, 2018. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at December 31, 2018.

However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

Asset or Liability	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

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 profit or loss.

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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss 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 profit or loss.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

At each reporting date, the Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default, occurring on the asset at the reporting date, with the risk of default as at the date of initial recognition. The Company also considers other information including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

There has been no material adjustment upon adopting the expected credit loss model.

Exploration and evaluation assets

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

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

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

Provision for environmental rehabilitation

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

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

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

The Company does not have a reclamation obligation for the years presented.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The major categories of equipment are amortized as follows:

Vehicles - 30% declining balance basis
Office furnishings - 20% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is antidilutive.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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

Income taxes

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

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

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

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

Flow-Through Shares

On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company does not anticipate any significant differences upon adopting the standard.

New Accounting Standards Adopted during the year

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The Company adopted IFRS 9 on January 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on January 1, 2018 and did not have an impact on the consolidated financial statements.

4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable from Canadian government taxation authorities and advances receivable from third parties. These are broken down as follows:

	December 31, 2018	December 31, 2017
GST receivable	$ 30,745	$ 26,464
Advances receivable	654	25,174
	$ 31,399	$ 51,638

5. RECLAMATION BONDS

The Company is required to post bonds with the Bureau of Land Management ("BLM") as security towards future site restoration work and will be released to the Company upon satisfactory completion of that work. The bonds posted relate to the Golden Brew, Porter Canyon, and other Nevada properties (Note 6).

6. EXPLORATION AND EVALUATION ASSETS

	Porter Canyon, Nevada, USA	Golden Brew, Nevada, USA	Monroe, BC, Canada	Other, Nevada, USA	Total
Balance, December 31, 2016	$ 1,461,180	$ 1,043,073	$ 258,127	$ 122,342	$ 2,884,722
Additions:					
Assays	-	-	67	-	67
Drilling	(4,843)	(347)	752,711	-	747,521
Exploration tax credit	-	-	(31,471)	-	(31,471)
Field operations	-	-	75,667	11,250	86,917
Geology	(360)	-	6,500	-	6,140
Property payments	14,920	-	-	51,314	66,234
Roads and site preparation	-	-	12,000	-	12,000
Balance, December 31, 2017	1,470,897	1,042,726	1,073,601	184,906	3,772,130
Additions:					
Assays	-	-	1,400	-	1,400
Drilling	-	-	764,210	-	764,210
Exploration Advances	-	-	5,000	-	5,000
Field operations	-	-	38,584	-	38,584
Geology	-	-	13,790	-	13,790
Property payments	21,391	-	-	19,492	40,883
Roads and site preparation	-	-	3,690	-	3,690
Total expenditures	21,391	-	826,674	19,492	867,557
Write-down of exploration and evaluation assets	(1,492,288)	-	-	-	(1,492,288)
Balance, December 31, 2018	$ -	$ 1,042,726	$ 1,900,275	$ 204,398	$ 3,147,399

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing. The exploration and evaluation assets in which the Company has committed to earn an interest are located in the United States and Canada.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Golden Brew Property, Battle Mountain Mining District, Nevada

During the year ended December 31, 2010, the Company executed a mining lease agreement with Genesis Gold Corporation ("Genesis") on the Golden Brew claims ("Golden Brew Claims") located in Nevada, USA (the "Genesis Agreement"). The terms of the Genesis Agreement include an initial payment to Genesis of US$10,000 and subsequent escalating annual lease payments. The Company has an option to acquire a 100% interest in the Golden Brew Claims for the purchase price of US$2,000,000, subject to a 2% net smelter returns royalty. All lease payments will be applied to the purchase price. The royalty will be reduced to 1% of net smelter returns at such time as the Company has paid US$4,000,000 to Genesis in royalty payments. The Company negotiated an amendment to the Genesis Agreement whereby the lease payment of US$10,000 due January 5, 2017 was reduced to US$5,000 plus another US$5,000 upon mobilization of a drilling rig to the property. During the year ended December 31, 2018, the Company amended the January 5, 2018 annual lease payment from US$50,000 to US$30,000.

To maintain the mining lease agreement, the Company must make the following lease payments:

	Annual Lease Payments
On January 5, 2010 (paid)	US$10,000
On or before January 5, 2011 (paid)	15,000
On or before January 5, 2012 (paid)	25,000
On or before January 5, 2013 (paid)	35,000
On or before January 5, 2014 (paid by Regulus)	20,000
On or before January 5, 2015 (paid by Regulus)	20,000
On or before January 5, 2016 (paid by Regulus)	10,000
On or before January 5, 2017 (paid by Regulus)	5,000
Upon the mobilization of a drill rig to the property (paid by Regulus)	5,000
On or before January 5, 2018 (paid by Regulus)	30,000
On or before January 5, 2019 (paid by Regulus)	50,000
On or before January 5, 2020 to January 5, 2025	75,000

In 2014, the Company entered into a definitive Option Agreement with Regulus Resources Inc. ("Regulus"), whereby Regulus may acquire a 50% option in the Golden Brew Property (the "Option"). In order to exercise the Option, Regulus must, among other things, spend US$5,000,000 on exploration expenditures on the project by May 2022, and assume the underlying third party lease payments to Genesis and claim holding costs. Exploration expenditures of US$500,000 in the first year is a firm commitment subject to a Force Majeure situation. Upon earn-in the parties will form a joint venture on a 50/50 basis. Regulus and the Company are related parties with common directors.

During the year ended December 31, 2016, Regulus invoked the Force Majeure clause with respect to Regulus' obligation to complete exploration expenditures totalling US$500,000 in Year 1 (the "Firm Commitment") as a result of unavoidable drilling permitting delays on the property. The drilling permit process was completed in August 2017 and the Firm Commitment was fulfilled.

Porter Canyon Property, Lander County, Nevada

During the year ended December 31, 2011, the Company acquired the Porter Canyon claims by staking. During the year ended December 31, 2018, there has been sufficient evidence of impairment of the Porter Canyon Property, and the value has been written down to $Nil as at December 31, 2018.

Other, Nevada

The property consists of claims acquired by staking in Nevada. The Company has no material commitments on this property group aside from annual claim payments.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Monroe Property, Fort Steele Mining Division, British Columbia

During the year ended December 31, 2016, the Company executed an option agreement to earn an undivided 50% interest in the Monroe property (the "Property") located in the Fort Steele Mining Division, southeast British Columbia. In order to exercise the option (the "Option"), the Company has made a firm commitment to spend an initial $100,000 in exploration expenditures on the Property in the first year (commitment met as at December 31, 2016), followed by additional annual optional exploration expenditures totalling $2.9 million over the next four years. The Company will be the operator on the Property during the course of the Option. The owners of the Monroe property are an officer and directors of the Company (Note 10).

7. EQUIPMENT

		Vehicles		Office Furnishings		Total
Cost						
Balance, December 31, 2016 and December 31, 2017	$	30,062	$	7,939	$	38,001
Additions		-		8,351		8,351
Balance, December 31, 2018	$	30,062	$	16,290	$	46,352
Accumulated amortization						
Balance, December 31, 2016	$	17,541	$	3,602	$	21,143
Amortization		3,755		868		4,623
Balance, December 31, 2017	$	21,296	$	4,470	$	25,766
Amortization		2,629		1,529		4,158
Balance, December 31, 2018	$	23,925	$	5,999	$	29,924
Carrying amounts						
As at December 31, 2017	$	8,766	$	3,469	$	12,235
As at December 31, 2018	$	6,137	$	10,291	$	16,428

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

		Issued in May 2017		Issued in May 2018		Issued in September 2018		Total
Balance at December 31, 2016	$	-	$	-	$	-	$	-
Liability incurred on flow-through shares issued		50,000		-		-		50,000
Settlement of flow-through share premium liability on expenditures incurred		(42,591)		-		-		(42,591)
Balance at December 31, 2017	$	7,409	$	-	$	-	$	7,409
Liability incurred on flow-through shares issued		-		60,000		22,632		82,632
Settlement of flow-through share premium liability on expenditures incurred		(7,409)		(60,000)		(22,280)		(89,689)
Balance at December 31, 2018	$	-	$	-	$	352	$	352

8. FLOW-THROUGH SHARE PREMIUM LIABILITY (cont'd…)

During the year ended December 31, 2017, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be $50,000. As at December 31, 2018, the Company has satisfied its flow-through obligations.

During the year ended December 31, 2018, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be $60,000. As at December 31, 2018, the Company has satisfied its flow-through obligations.

During the year ended December 31, 2018, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be $22,632. As at December 31, 2018, the Company must spend another $6,697 within one year to satisfy its remaining flow-through obligations.

9. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

Authorized

Unlimited number of common shares without par value. All issued shares are fully paid.

During the year ended December 31, 2018, the Company:

a) Closed a non-brokered private placement of 1,200,000 units at a price of $0.25 per unit for gross proceeds of $300,000. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of $0.30 per share until May 4, 2019. The premium received on the flow-through shares issued was determined to be $60,000.

b) Closed a non-brokered private placement of 1,750,000 units at a price of $0.20 per unit for gross proceeds of $350,000. Each unit consists of one non-flow-through common share and one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of $0.25 per share until May 4, 2020. Share issuance costs of $18,109 were paid in relation to the private placement.

c) Closed a non-brokered private placement of 1,131,581 units at a price of $0.38 per unit for gross proceeds of $430,000. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant (each a "Warrant"). Each full Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of $0.40 per share until September 21, 2020. The premium received on the flow-through shares issued was determined to be $22,632.

d) Closed a non-brokered private placement of 616,668 units at a price of $0.36 per unit for gross proceeds of $222,000. Each unit consists of one non-flow-through common share and one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of $0.40 per share until September 21, 2020. Share issuance costs of $15,741 were paid in relation to the private placement.

During the year ended December 31, 2017, the Company:

a) Closed a non-brokered private placement of 1,835,000 flow-through common shares of the Company at a price of $0.20 per share for gross proceeds of $367,000. Share issuance costs of $9,983 were paid in relation to the private placement. The premium received on the flow-through shares issued was determined to be $Nil.

b) Closed a non-brokered private placement of 1,000,000 units at a price of $0.55 per unit for gross proceeds of $550,000. Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of $0.60 per share for a period of one year from the date of the closing (extended to May 10, 2019). The Company paid $16,612 of share issuance costs and recorded a premium received on flow-through shares of $50,000 in relation to the private placement.

9. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd…)

Stock options

Under the Company's rolling stock option plan dated June 2, 2005, the Company may grant options, with a maximum term of five years, for up to 10% of the Company's issued and outstanding common shares, to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods.

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	2,025,000	$ 0.38
Options granted	75,000	0.53
Balance, December 31, 2017	2,100,000	0.38
Options granted	1,100,000	0.25
Balance, December 31, 2018	3,200,000	$ 0.34

At December 31, 2018, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
75,000	$ 0.53	May 2, 2019	75,000
500,000	0.41	October 14, 2019	500,000
1,175,000	0.40	February 3, 2020	1,175,000
350,000	0.25	May 6, 2021	350,000
1,100,000	0.25	May 17, 2023	1,100,000
3,200,000			3,200,000

The weighted average remaining life of the stock options is 2.29 years.

Stock-based compensation

The Company recognizes compensation expense for all stock options and warrants granted using the fair value-based method of accounting. During the year ended December 31, 2018, the Company recognized $241,557 (2017 - $27,729) in stock-based compensation expense with respect to options vested during the year. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2018 and 2017:

	2018	2017
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.33%	0.67%
Expected life of options	5 Years	2 Years
Annualized volatility	136%	145%
Dividend	0%	0%
Weighted average fair value per option	$0.22	$0.37

9. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd…)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	7,027,025	$ 0.60
Warrants issued	1,000,000	0.60
Balance, December 31, 2017	8,027,025	0.60
Warrants issued	3,532,455	0.31
Warrants expired	(7,027,025)	0.60
Balance, December 31, 2018	4,532,455	$ 0.37

At December 31, 2018, the following share purchase warrants were issued and outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
600,000	$ 0.30	May 4, 2019*
1,000,000	0.60	May 10, 2019*
1,750,000	0.25	May 4, 2020
1,182,455	0.40	September 21, 2020
4,532,455		

*Subsequent to December 31, 2018, the Company applied to the Exchange to extend the terms of these warrants by one year, subject to Exchange approval.

The weighted average remaining life of the warrants is 1.09 years.

During the year ended December 31, 2018, the Exchange accepted the one year extension of 1,000,000 common share purchase warrants issued pursuant to a non-brokered private placement which closed on May 10, 2017. The warrants are exercisable into common shares in the capital of the Company at an exercise price of $0.60 per common share with expiry date of warrants extended from May 10, 2018 to May 10, 2019.

10. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Highway 50 Gold (US) Inc.	Nevada, USA	100%	Mineral exploration

All transactions with related parties are in the normal course of operations and are measured at their fair value as determined by management.

During the year ended December 31, 2018, the Company entered into the following transactions with related parties:

a) Eagle Putt Ventures Inc. ("Eagle Putt") is a private company controlled by Mr. Gordon P. Leask, a director and officer of the Company. For the year ended December 31, 2018, Eagle Putt charged $120,000 (2017 - $120,000) which are classified as consulting fees in the consolidated statements of loss and comprehensive loss. At December 31, 2018, the Company owed $192,500 (December 31, 2017 - $73,500) to Eagle Putt. During the year ended December 31, 2016, the Company entered into an agreement with Eagle Putt, as disclosed in Note 6. During the year ended December 31, 2018, the Company received a loan of $30,000 from Eagle Putt. The loan is unsecured, bears no interest, and has no term of repayment. During the year ended December 31, 2018, the Company repaid the loan of $30,000 to Eagle Putt.

b) Rangefront Exploration Corp. ("Rangefront") is a private company controlled by Mr. John M. Leask, a director to the Company. For the year ended December 31, 2018, Rangefront charged $120,000 (2017 - $120,000) which are classified as consulting fees in the consolidated statements of loss and comprehensive loss. At December 31, 2018, the Company owed $192,500 (December 31, 2017 - $73,500) to Rangefront. During the year ended December 31, 2018, the Company received a loan of $30,000 from Rangefront. The loan is unsecured, bears no interest, and has no term of repayment. During the year ended December 31, 2018, the Company repaid the loan of $30,000 to Rangefront.

c) Megan Cameron-Jones is a director and former officer of the Company. For the year ended December 31, 2018, Megan Cameron-Jones charged $60,000 (2017 – $10,000) for management services and are classified as consulting fees in the consolidated statements of loss and comprehensive loss. At December 31, 2018, the Company owed $63,000 (December 31, 2017 - $Nil) to Megan Cameron-Jones.

d) Cross Davis & Co. LLP ("Cross Davis") is an accounting firm of which Scott Davis, an officer of the Company, is a partner. For the year ended December 31, 2018, Cross Davis charged $36,000 (2017 - $36,000) which are classified as accounting fees in the consolidated statements of loss and comprehensive loss. At December 31, 2018, the Company owed $Nil (December 31, 2017 - $Nil) to Cross Davis.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

10. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the year ended December 31, 2018 and 2017 are as follows:

	Other Payments	Share-based Benefits	Total
December 31, 2018			
Chief Executive Officer	$ 120,000	$ 65,879	$ 185,879
Chief Financial Officer	36,000	21,960	57,960
Executive directors	180,000	153,718	333,718
	$ 336,000	$ 241,557	$ 577,557
December 31, 2017			
Chief Executive Officer	$ 120,000	$ -	$ 120,000
Chief Financial Officer	36,000	-	36,000
Executive directors	130,000	-	130,000
	$ 286,000	$ -	$ 286,000

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2018, there was $21,229 included in exploration and evaluation assets which relates to accounts payable and accrued liabilities and $82,632 was recorded as a flow-through share premium liability in relation to a private placement.

During the year ended December 31, 2017, there was $614 included in exploration and evaluation assets which relates to accounts payable and accrued liabilities and $50,000 was recorded as a flow-through share premium liability in relation to a private placement.

For the year ended December 31	2018	2017
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

12. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation assets in North America. Geographical information is as follows:

	Total Assets	Equipment	Exploration and Evaluation Assets	Reclamation Bonds	Other Assets
December 31, 2018					
Canada	$ 2,269,891	$ 10,291	$ 1,900,275	$ -	$ 359,325
United States	1,373,562	6,137	1,247,124	120,301	-
	$ 3,643,453	$ 16,428	$ 3,147,399	$ 120,301	$ 359,325
December 31, 2017					
Canada	$ 1,198,744	$ 3,469	$ 1,073,601	$ -	$ 121,674
United States	2,818,069	8,766	2,698,529	110,774	-
	$ 4,016,813	$ 12,235	$ 3,772,130	$ 110,774	$ 121,674

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which are the amounts on the consolidated statements of financial position. The Company's other financial instrument, cash, under the fair value hierarchy, is based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

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

The Company's cash is held at large Canadian financial institutions in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of tax credits due from the government of Canada and advances receivable from third parties. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at December 31, 2018, the Company had a cash balance of $326,400 to settle current liabilities of $483,149.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, reclamation bond, and accounts payable that are denominated in United States dollars ("US$"). A 10% fluctuation in the US$ against the Canadian dollar would affect net comprehensive loss for the year by approximately $12,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

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

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Loss for the year	$ (2,118,201)	$ (454,324)
Expected income recovery	$ (572,000)	$ (118,000)
Change in statutory, foreign tax, foreign exchange rates and other	90,000	(26,000)
Permanent difference	41,000	(4,000)
Impact of flow-through shares	197,000	238,000
Share issuance cost	(9,000)	(7,000)
Change in unrecognized deductible temporary differences	253,000	(83,000)
Income tax recovery	$ -	$ -

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

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

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary differences				
Property and equipment	$ 30,000	No expiry date	$ 26,000	No expiry date
Share issue costs	47,000	2039 to 2042	45,000	2038 to 2041
Non-capital losses available for future periods	3,973,000	2026 to 2038	2,710,000	2026 to 2037
	$ 4,050,000		$ 2,781,000	

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