# Jasper Mining Corporation
## (an exploration stage corporation)

### Financial Statements

### December 31, 2018

## Jasper Mining Corporation
**(an exploration stage corporation)**
**Financial Statements**

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# Management Report

## To the Shareholders of Jasper Mining Corporation

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors exercises its responsibilities for financial controls through an Audit Committee. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Crowe MacKay LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

**Jasper Mining Corporation**

***(Signed) "Gordon F. Dixon"***
President and in the capacity of Chief Executive Officer

***(Signed) "Gordon F. Dixon"***
Interim Chief Financial Officer

**Calgary, Canada**
**May 8, 2019**

**Crowe MacKay LLP**
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# Independent Auditor's Report

To the Shareholders of Jasper Mining Corporation

**Opinion**

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

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

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit 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 to the financial statements which describes the material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the 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.

We obtained the other information prior to the date of this auditor's report. 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 in this auditor's report. We have nothing to report in this regard.

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**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, 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.

**Auditor's 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

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- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 Garry Cook.

**Calgary, Canada**
**May 8, 2019**

**(signed) *"Crowe MacKay LLP"***
**Chartered Professional Accountants**

**Jasper Mining Corporation**
**(an exploration stage corporation)**
**Statements of Financial Position**

**As at December 31,**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | **60,376** | $ | 8,696 |
| Prepaid | | **-** | | 1,576 |
| Other receivables (note 17) | | **1,414** | | 852 |
| | | **61,790** | | 11,124 |
| **Mineral property security deposits (note 5)** | | **50,469** | | 50,247 |
| **Property and equipment (note 6)** | | **129,091** | | 130,027 |
| | $ | **241,350** | $ | 191,398 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payables and accrued liabilities (note 7) | $ | **297,099** | | 481,944 |
| Due to related parties (note 15) | | **139,490** | | 74,490 |
| | | **436,589** | | 556,434 |
| **Shareholders' Equity (Deficiency)** | | | | |
| **Share capital (note 8)** | | **9,824,132** | | 9,535,890 |
| **Warrants (note 9)** | | **16,588** | | 63,232 |
| **Contributed surplus** | | **7,302,555** | | 7,216,281 |
| **Deficit** | | **(17,338,514)** | | (17,180,439) |
| | | **(195,239)** | | (365,036) |
| | $ | **241,350** | $ | 191,398 |

**Reporting entity and going concern (note 1)**
**Subsequent event (note 18)**

(*Signed*) "Gordon F. Dixon", Director

(*Signed*) "Jean Pierre-Pelletier", Director

## Jasper Mining Corporation
**(an exploration stage corporation)**
**Statements of Loss and Comprehensive Loss**

**Years ended December 31,**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Expenses** | | | | |
| General and administrative (note 10) | **$** | **144,013** | $ | 122,313 |
| Exploration and evaluation expense | | **6,501** | | 6,084 |
| Depreciation (note 5) | | **936** | | 1,138 |
| | | **(151,450)** | | (129,535) |
| **Finance income** (note 13) | | **178** | | 244 |
| **Finance expense** (note 13) | | **(6,803)** | | (6,458) |
| | | **(6,625)** | | (6,214) |
| **Loss and comprehensive loss for the year** | **$** | **(158,075)** | $ | (135,749) |
| **Net loss per share** | | | | |
| Basic and diluted | **$** | **(0.01)** | $ | (0.01) |

**Jasper Mining Corporation**
**(an exploration stage corporation)**
**Statements of Changes in Equity**

| | Number of shares | Share capital | Warrants | Contributed Surplus | Deficit | Total shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|
| **Balance December 31, 2017** | 13,504,643 | $ 9,535,890 | $ 63,232 | $ 7,216,281 | $ (17,180,439) | $ (365,036) |
| Issued for debt settlement | 2,152,073 | 215,207 | - | - | - | 215,207 |
| Share issue costs | - | (2,076) | - | - | - | (2,076) |
| Issuance on exercise of warrants | 600,000 | 75,111 | (15,111) | - | - | 60,000 |
| Share-based compensation | - | - | - | 54,741 | - | 54,741 |
| Expiration of warrants | - | - | (31,533) | 31,533 | - | - |
| Net loss for the year | - | - | - | - | (158,075) | (158,075) |
| **Balance December 31, 2018** | **16,256,716** | **$ 9,824,132** | **$ 16,588** | **$ 7,302,555** | **$ (17,338,514)** | **$ (195,239)** |

| | Number of shares | Share capital | Warrants | Contributed Surplus | Deficit | Total shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|
| **Balance December 31, 2016** | 12,887,976 | $ 9,518,243 | $ 58,482 | $ 7,188,640 | $ (17,044,690) | $ (279,325) |
| Unit private placement | 616,667 | 20,412 | 16,588 | - | - | 37,000 |
| Share issue costs | - | (2,765) | - | - | - | (2,765) |
| Share-based compensation | - | - | - | 15,803 | - | 15,803 |
| Expiration of warrants | - | - | (11,838) | 11,838 | - | - |
| Net loss for the year | - | - | - | - | (135,749) | (135,749) |
| **Balance December 31, 2017** | 13,504,643 | $ 9,535,890 | $ 63,232 | $ 7,216,281 | $ (17,180,439) | $ (365,036) |

## Jasper Mining Corporation
**(an exploration stage corporation)**
**Statements of Cash Flows**

**Years ended December 31,**

| | | **2018** | | 2017 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss for the year | **$** | **(158,075)** | $ | (135,749) |
| Items not affecting cash | | | | |
| Depreciation | | **936** | | 1,138 |
| Share-based compensation | | **54,741** | | 15,803 |
| Changes in working capital (note 14) | | **31,332** | | 63,490 |
| | | **(71,066)** | | (55,318) |
| **Financing activities** | | | | |
| Related party advances | | **65,000** | | 10,000 |
| Share issuance proceeds | | **60,000** | | 37,000 |
| Share issuance costs | | **(2,076)** | | (2,765) |
| | | **122,924** | | 44,235 |
| **Investing activities** | | | | |
| Mineral property security deposits | | **(178)** | | 256 |
| **Increase (decrease) in cash** | | **51,680** | | (10,827) |
| **Cash, beginning of year** | | **8,696** | | 19,523 |
| **Cash, end of year** | **$** | **60,376** | $ | 8,696 |
| **Cash interest received** | **$** | **178** | $ | 244 |
| **Non-cash transactions:** | | | | |
| Shares issued for settlement of accounts payable and accrued liabilities | **$** | **215,207** | $ | - |
| Fair value of warrants exercised transferred to share capital | | **15,111** | | - |
| Fair value of warrants expired transferred to contributed Surplus | | **31,533** | | 11,838 |
| Fair value assigned to warrants on the private placement unit offering | | **-** | | 16,588 |

## 1. Nature of operations and going concern

Jasper Mining Corporation (the "Corporation") is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange. The Corporation is engaged in the business of mineral exploration in Canada. The Corporation's registered office is located at 501, 888 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 0V2.

To date, the Corporation has not yet determined whether its mineral claims are economically recoverable, nor has it found defined reserves and it's considered to be in the exploration stage. The Corporation believes that it has established and retains satisfactory title to all its claims.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates the realization of assets and the discharging of liabilities and commitments in the normal course of operations. The ability of the Corporation to continue to operate as a going concern is largely dependent on its ability in the near term to access sufficient new capital to satisfy its current obligations and fund future exploration and development activities. Management plans to meet its capital requirements from available funds, equity financings, advances from related parties, sale or farm-out of assets, and cash to be provided from the exercise of options and warrants in the future. Management's assessment of the Corporation is based on its current cash flow forecast and financial model. There are material uncertainties that may cast significant doubt as to whether the Corporation is a going concern because of the following factors:

a) As at December 31, 2018, the Corporation had a working capital deficiency of $374,799 and no sources of revenue from its resource assets;

b) There are significant future capital expenditures required to further explore and develop the Corporation's resource assets; and

c) The current equity market environment may hamper the Corporation's ability to raise funds for its exploration programs.

Management's plans for addressing the above factors are as follows:

a) The Corporation will continue to seek appropriate financing initiatives that benefit the Corporation and its shareholders; and

b) The Corporation will continue to review opportunities to enter into joint venture or farm-out arrangements or the potential sale of existing resource interests.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Corporation be unable to continue as a going concern and these adjustments could be material.

**2. Basis of presentation**

a) Statement of compliance:

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

These financial statements were authorized for issue by the Board of Directors on May 8, 2019.

Expenses in the statement of loss and comprehensive loss are presented as a combination of function and nature in conformity with industry practice. Depreciation is presented on a separate line by its nature, while general and administrative expenses are presented on a functional basis. Other significant expenses, such as share-based compensation, are presented by their nature in the notes to the financial statements.

b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In the process of applying the Corporation's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

## 2. Basis of presentation (continued)

d) Use of estimates and judgments: (continued)

i) Impairment indicators and calculation of impairment:

At each reporting date, the Corporation assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or are impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances clearly indicate impairment, exploration and evaluation assets & property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units ("CGUs") are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate applied. At the end of each financial reporting period, the Corporation assesses whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss recognized in prior periods would be reversed if there has been a change in the estimate used to determine the recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

ii) Cash generating units:

A cash generating unit (“CGU”) is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The Corporation allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics.

iii) Income taxes:

The Corporation recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available to allow the benefit of that deferred income tax asset to be utilized. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain tax deductions in future periods.

## 2. Basis of presentation (continued)

e) Use of estimates and judgments: (continued)

iv) Going concern:

As described in Note 1, management uses its judgment in determining whether the Corporation is able to continue as a going concern.

v) Exploration and evaluation expenditures:

The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Corporation, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

vi) Property & equipment and depreciation

Estimated useful lives and residual values of tangible equipment are reviewed annually. Estimated resources are reviewed each reporting period. Resource estimates are dependent on numerous variables. Changes in these variables could have a significant impact on the test for impairment. The carrying values of property & equipment is reviewed for impairment where there has been a trigger event (that is, an event which may have resulted in impairment) by assessing the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use which is determined by the present value of future cash flows. The calculation of estimated future cash flows is 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 for which the estimates of future cash flows have not been adjusted.

vii) Share-based compensation and warrant units

In accounting for the fair value of stock options and warrants, the Corporation makes assumptions regarding share price volatility, risk free rate, forfeiture rate, and expected life in order to determine the fair value to recognize.

## 3. Significant accounting policies

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

### a) Cash and cash equivalents

Cash consists of cash in the bank and short term highly liquid investments with original maturities of three months or less. The Corporation does not have any cash equivalents as at December 31, 2018 and 2017.

### b) Property and equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent to initial measurement, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined using the declining balance method over the estimated service lives of the assets at the following annual rates:

| | |
|---|---|
| Fencing | 10% |
| Furniture and fixtures | 20% |
| Computer equipment | 30 to 50% |

Depreciation methods, service lives and residual values are reviewed at each reporting date.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit or loss.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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 Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

## 3. Significant accounting policies (continued)

### c) Financial instruments

Financial assets

Non-derivative financial assets within the scope of IFRS 9 *Financial instruments* are classified as financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and financial assets at amortized cost. The Corporation determines the classification of financial assets at the time of initial recognition based on the Corporation's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value, and in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation has classified cash, other receivables and mineral property security deposits at amortized cost.

Financial assets measured at FVTPL includes financial assets management intends to sell in the short term, and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship.

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and that the Partnership has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. After initial measurement, financial assets measure at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss. When the financial asset is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Financial assets measured at amortized cost are subsequently measured at the end of each reporting period using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. EIR amortization is included in the statement of net loss and comprehensive loss.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or the Company no longer retains substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, such as for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, net of applicable transaction costs unless they are classified as FVTPL. The Company has classified accounts payable and due to related parties at amortized cost.

After initial recognition, financial liabilities measured at amortized cost are measured at the end of each reporting period using the EIR method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires, with any associated gain or loss recognized in net loss.

## 3. Significant accounting policies (continued)

### c) Financial instruments (continued)

**Impairment of financial assets**

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (ECL) model.

**Impact on adoption of IFRS 9 effective January 1, 2018**

The following tables compare the classification of financial instruments under IAS 39 and IFRS 9. Financial instrument classification under IAS 39 up to December 31, 2017:

| | Classification | Measurement |
|---|---|---|
| Cash | Loans and receivables | Amortized cost |
| Other receivables | Loans and receivables | Amortized cost |
| Mineral property security deposits | Loans and receivables | Amortized cost |
| Accounts payable | Other financial liabilities | Amortized cost |
| Due to related parties | Other financial liabilities | Amortized cost |

Financial instrument classification under IFRS 9 from January 1, 2018 onwards:

| | Classification | Measurement |
|---|---|---|
| Cash | Amortized cost | Amortized cost |
| Other receivables | Amortized cost | Amortized cost |
| Mineral property security deposits | Amortized cost | Amortized cost |
| Accounts payable | Amortized cost | Amortized cost |
| Due to related parties | Amortized cost | Amortized cost |

Offsetting of financial instruments
A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when the Corporation: i) currently has a legally enforceable right to set off the recognized amounts; and ii) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### d) Share-based payments

The Corporation issued equity-settled share-based payments to employees and other individuals which are subject to service conditions. The fair value of equity-settled share-based payments is measured at the date of grant using the Black-Scholes option pricing model and expense is recognized in general and administrative expense as appropriate in the statements of loss and comprehensive loss over the period during which service conditions are required to be met or immediately where no performance or service criteria exist. Inputs include share price on date of grant, exercise price, expected volatility which is estimated based on historical price trends, dividends, estimated forfeiture rate which is based on historical staff turnover, and risk free interest rate. The amount recognized as an expense is adjusted to reflect the actual number of options that vest.

### 3. Significant accounting policies (continued)

#### e) Provisions

A provision is recognized in the statements of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. The amount recognized as a provision would be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate. Future operating costs are not provided for. A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

#### f) Decommissioning obligation

The Corporation's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Corporation's decommissioning obligation is measured at the present value of management's best estimate of expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent the provision was established.

Mineral property security deposits have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mineral exploration activities.

#### g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense 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 is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## 3. Significant accounting policies (continued)

### g) Income tax (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### h) Shares

The Corporation issues common shares and flow-through common shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Flow-through common shares are classified as equity. At the time of issuance, the price of the flow-through share is compared to the price of common shares at the date of issuance. This difference is initially recorded as a share premium liability. 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 income tax legislation. Upon spending of the associated flow through expenditures, the share premium liability is eliminated and deferred tax is recorded. The difference between the share premium liability and the deferred income tax liability is recorded as deferred income tax expense.

### i) Finance income and expense

Interest income is recognized as it accrues in the statement of loss and comprehensive loss, using the effective interest method.

Finance expense comprises interest expense on flow-through expenditures made under the “look-back rule” and costs to obtain financing.

### j) Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as warrants and options.

### k) Warrants

The Corporation uses the fair value method to value any warrants in private placements. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. When warrants expire, the fair value of the expired warrants is transferred to contributed surplus. When warrants are exercised, the consideration received and the fair value allocated on initial measurement are credited to share capital.

### l) Exploration and Evaluation Assets (E&E)

The Corporation’s accounting Policy for E&E expenditures is to expense these costs until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives appropriate board approvals.

## 4. Newly adopted and future accounting standards

IFRS 9 Financial Instruments was issued in July 2014 and replaced IAS 39 Financial Instruments: recognition and measurement. IFRS 9 was released in three phases: 1) Accounting for financial assets and liabilities; 2) Impairment of financial assets; and 3) Hedge accounting. IFRS 9 provides for a single model of classifying and measuring financial assets and liabilities and introduces a credit loss impairment model. Entities are required to select the measurement method based on both the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Hedge accounting remains optional. The new guidance is intended to improve the disclosure on risk management and provide more options of when to apply hedge accounting.

IFRS 15 Revenue, which was issued in May 2014, replaces IFRS 18 Revenue, IAS 11 Construction Contracts, and other revenue related interpretations. This standard requires revenue recognition upon the transfer of goods or services when control is transferred to the purchaser and additional disclosure.

IFRS 2 Shared-Based Payments, in September 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effect that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; (c) classification of share-based payment transactions with net settlements features.

The above three standards were adopted January 1, 2018 with no material impact on the financial statements.

The following accounting standard is effective for reporting periods beginning on or after January 1, 2019:

- IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Corporation does not expect the adoption of this new standard to have a material effect on the financial statements.

## 5. Mineral property security deposits

The Corporation is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Corporation. The deposits are held in certificates of deposit with maturity dates from 2019 to 2020 and interest rates of 0.60% - 1.00% (2017 - 0.45% - 1.00%)

## 6. Property and equipment

| | Land | Equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| As at December 31, 2016, 2017 and 2018 | $ 123,387 | $ 40,205 | $ 163,592 |
| **Accumulated depreciation** | | | |
| As at December 31, 2016 | $ - | $ 32,427 | $ 32,427 |
| Depreciation | - | 1,138 | 1,138 |
| As at December 31, 2017 | $ - | $ 33,565 | $ 33,565 |
| Depreciation | - | 936 | 936 |
| As at December 31, 2018 | $ - | $ 34,501 | $ 34,501 |
| **Net book value** | | | |
| As at December 31, 2017 | $ 123,387 | $ 6,640 | $ 130,027 |
| As at December 31, 2018 | $ 123,387 | $ 5,704 | $ 129,091 |

## 7. Accounts payable and accrued liabilities

| | 2018 | 2017 |
|---|---|---|
| Trade payables | $ 135,551 | $ 327,199 |
| Accruals | 19,000 | 19,000 |
| Flow-through share interest and penalties | 142,548 | 135,745 |
| | $ 297,099 | $ 481,944 |

## 8. Share capital

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Issued** | **Number of shares** | **Value** | **Number of shares** | **Value** |
| Balance, beginning of year | 13,504,643 | $ 9,535,890 | 12,887,976 | $ 9,518,243 |
| Unit private placement (a) | - | - | 616,667 | 20,412 |
| Debt conversion (b) | 2,152,073 | 215,207 | - | - |
| Share issue costs | - | (2,076) | - | (2,765) |
| Exercise of warrants | 600,000 | 75,111 | - | - |
| **Balance, end of year** | 16,256,176 | $ 9,824,132 | 13,504,643 | $ 9,535,890 |

**8. Share capital (continued)**

a) In April 2017, the Corporation completed a private placement to a non-arm's length investor for a total of 616,667 units at $0.06 per unit for gross proceeds of $37,000. Each unit consisted of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common shares at an exercise price of $0.10 per share for up to two years from the closing date. At the time of the private placement, the fair value of the warrants was estimated to be $16,588 with the $20,412 balance of proceeds ascribed to common shares.

b) In February 2018, the Corporation approved the conversion of certain existing accounts payable from debt to equity. The total amount of outstanding accounts payable extinguished by the Corporation was $215,207 for 2,152,073 common shares. The debt was owed to three non-arms' length parties. The conversion was recorded at $0.10 per share, which was the trading price of the shares as at the date of the conversion. The shares were subject to a four-month hold period ending in June 2018.

**9. Warrants**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | **Number of warrants** | **Value** | **Number of warrants** | **Value** |
| Balance, beginning of year | 2,108,334 | $ 63,232 | 2,300,000 | $ 58,482 |
| Expired (a) | (1,200,000) | (31,533) | (500,000) | (11,838) |
| Issued (b) | - | - | 308,334 | 16,588 |
| Exercised | (600,000) | (15,111) | - | - |
| **Balance, end of year** | 308,334 | $ 16,588 | 2,108,334 | $ 63,232 |

a) During the year ended December 31, 2018, 1,200,000 (2017 - 500,000) warrants expired and the fair value of $31,533 (2017 - $11,838) was allocated to contributed surplus.

b) In April 2017, the Corporation issued 308,334 warrants with an exercise price of $0.10 per warrant and a term of 2 years. The Black-Scholes pricing model was used to estimate the fair value of the warrants granted using a forfeiture rate of nil, a dividend yield of nil, interest rate of 0.74%, volatility of 148% and an expected life of 2 years resulting in a fair value of $16,588.

Summary information with respect to warrants outstanding at December 31, 2018 is provided below:

| **Exercise price ($)** | **Number exercisable** | **Number outstanding** | **Weighted average contractual life remaining years)** | **Weighted average exercise price ($)** |
|---|---|---|---|---|
| 0.10 | 308,334 | 308,334 | 0.29 | 0.10 |

## 10. Share-based payments

The following is a continuity of stock options for which shares have been reserved:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price ($) | Number of options | Weighted average exercise price ($) |
| Balance, beginning of year | 1,200,000 | $ 0.18 | 900,000 | $ 0.22 |
| Granted (a) | 600,000 | 0.10 | 300,000 | 0.08 |
| Expired | (150,000) | 0.80 | - | - |
| Expired | (100,000) | 0.10 | - | - |
| Expired | (100,000) | 0.08 | - | - |
| Balance, end of year | 1,450,000 | $ 0.10 | 1,200,000 | $ 0.18 |

Summary information with respect to options outstanding at December 31, 2018 is provided below:

| Exercise price ($) | Number outstanding | Contractual life remaining (years) | Exercise price ($) | Number exercisable |
|---|---|---|---|---|
| 0.10 | 650,000 | 1.7 | 0.10 | 650,000 |
| 0.08 | 200,000 | 3.4 | 0.08 | 200,000 |
| 0.10 | 600,000 | 4.8 | 0.10 | 300,000 |
| | 1,450,000 | 3.2 | 0.10 | 1,150,000 |

a) During the years ended December 31, 2018, the Corporation granted 600,000 (2017 - 300,000 stock options exercisable at $0.10 (2017 - $0.08) to directors and officers. The options vested one-half immediately and the balance one year from the date of grant and are exercisable for a term of five years. The fair value of these options was estimated at $86,714 ($0.1482 per option) (2017 - $19,963 ($0.0685 per option)). The Black -Scholes option pricing model calculations were based on the following significant assumptions:

| | **2018** | 2017 |
|---|---|---|
| Share price $ | **0.16** | 0.08 |
| Exercise price $ | **0.10** | 0.08 |
| Risk-free interest rate % | **2.38** | 0.93 |
| Expected forfeiture rate % | **2.51** | 2.80 |
| Expected volatility | **132%** | 130% |
| Expected life | **5.0 years** | 5.0 years |
| Dividend yield | **Nil** | Nil |

During the year ended December 31, 2018, the Corporation's share-based compensation expense was $54,741 (2017 - $15,803) of which all was recognized in general and administrative expenses in the statements of loss and comprehensive loss. The unvested share-based compensation expense as of December 31, 2018 is $36,131.

## 11. Per share amounts

Basic net loss per share is calculated as follows:

| | 2018 | 2017 |
|---|---|---|
| Net loss for the year | $ (158,075) | $ (135,749) |
| Weighted average number of shares: | | |
| Issued common shares at beginning of period | 13,504,643 | 12,887,976 |
| Shares issued | 2,068,998 | 432,512 |
| Basic weighted average shares | 15,573,641 | 13,320,488 |
| Net loss per share - basic and diluted | $ (0.01) | $ (0.01) |

The effect of stock options and warrants is anti-dilutive in loss periods.

## 12. Deferred taxes

The Corporation's computation of income taxes for the years ended December 31 is as follows:

| | 2018 | 2017 |
|---|---|---|
| Loss for the year before income taxes | $ (158,075) | $ (135,749) |
| Anticipated income tax reduction at 26.50% (2017 - 26.5%) | $ (42,000) | $ (36,000) |
| Share-based compensation and other non-deductible items | 16,000 | 5,900 |
| Change in unrecognized deferred tax asset | 26,000 | 30,800 |
| Expired losses and other | - | (700) |
| Deferred income tax reduction | $ - | $ - |

The components of the deferred tax asset are as follows:

| | 2018 | 2017 |
|---|---|---|
| Non-capital loss carry forwards | $ 992,500 | $ 967,200 |
| Share issue costs | 1,000 | 2,200 |
| Cumulative eligible capital | 12,000 | 11,700 |
| Mineral properties and deferred exploration costs | 774,000 | 772,400 |
| | 1,779,500 | 1,753,500 |
| Unrecognized deferred tax asset | (1,779,500) | (1,753,500) |
| | $ | $ - |

## 12. Deferred taxes (continued)

As at December 31, 2018, the Corporation has approximately $3,000,000 (2017 - $3,000,000) in tax pools and $3,700,000 (2017 - $3,600,000) in non-capital losses available for deduction against future taxable income. The non-capital losses expire between 2026 and 2038 as follows:

| Expiry | Losses |
|---|---|
| 2026 | $ 700,000 |
| 2027 | 400,000 |
| 2028 | 600,000 |
| 2030 | 500,000 |
| 2031 | 400,000 |
| 2032 | 300,000 |
| 2033 | 200,000 |
| 2034 | 200,000 |
| 2035 | 100,000 |
| 2036 | 100,000 |
| 2037 | 100,000 |
| 2038 | 100,000 |
| | $ 3,700,000 |

The deferred income tax assets have not been recognized as their recovery is uncertain.

## 13. Finance income and expense

| | **2018** | 2017 |
|---|---|---|
| Finance income | | |
| Interest on deposits held in GIC's | **$ 178** | $ 244 |
| Finance expense | | |
| Part XII.6 interest on flow-through expenditures incurred under the look-back rule | **(6,803)** | (6,458) |
| Net finance expense | **$ (6,625)** | $ (6,214) |

## 14. Change in working capital

| | **2018** | 2017 |
|---|---|---|
| Other receivables | **$ (562)** | $ 2,073 |
| Prepaids | **1,532** | (1,576) |
| Accounts payable and accrued liabilities | **30,362** | 62,993 |
| | **$ 31,332** | $ 63,490 |

## 15. Related party transactions

Except as disclosed elsewhere in these financial statements, the Corporation had the following related party transactions in the normal course of operations and measured at the exchange amount:

a) Amounts due to related parties consist of amounts due from shareholders, officers and directors of the Corporation and companies controlled or significantly influenced by shareholders and officers of the Corporation. The amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

b) During the years ended December 31, 2018, $6,000 (2017 - $18,500) was charged for rent by a company owned by the President of the Corporation. Included in accounts payable and accrued liabilities at December 31, 2018 is $6,825 (2017 - $101,300) due to this company.

c) At December 31, 2018, there was $66,490 (2017 - $41,490) in due to related parties for expense advances and $73,000 due to related parties (2017 - $33,000) controlled by the President of the Corporation.

d) During the years ended December 31, 2018, $21,000 (2017 - $21,000) was charged by a company owned by the President of the Corporation for administrative services. Included in accounts payable and accrued liabilities at December 31, 2018 is $25,725 (2017 - $114,600) due to this company.

## 16. Capital management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain a flexible capital structure, which will allow it to pursue the development of its mineral properties. Therefore, the Corporation monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Corporation considers its capital structure to include its working capital deficit of $374,799 (2017 - $545,310) and shareholders' deficiency of $195,239 (2017 - $365,036). The Corporation monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Corporation may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Corporation's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Corporation is not subject to externally imposed capital requirements. There has been no change in the Corporation's approach to capital management during the years ended December 31, 2018 and 2017. The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

## 17. Financial instruments and risk management

The Corporation's financial instruments include cash, other receivables, due to related parties, mineral property security deposits, and trade and other payables. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Corporation has exposure to credit risk, liquidity risk and interest rate risk as a result of its use of financial instruments. The Corporation has policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

### a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's policy is to ensure that its investments are liquid.

The Corporation's other receivables relates primarily to Goods and Services Tax input tax credits. Accordingly, the Corporation views credit risk on accounts receivable as minimal and has subsequently collected the outstanding amount.

### b) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its final obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

The Corporation prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Corporation raises funds through private equity placements. The Corporation's liquidity position has weakened since the beginning of the year due to the cost of ongoing exploration and corporate activities exceeding funds raised during the period. Current market conditions resulting from the global credit crisis have created unfavourable terms for equity financings required for junior mineral exploration companies, including the Corporation. As a result, the Corporation is currently evaluating alternatives to raise additional capital to improve liquidity.

As at December 31, 2018, the Corporation's financial liabilities were comprised of accounts payable and due to related parties, which all have a maturity of less than one year.

### c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk primarily through its variable interest rate on its cash and mineral property security terms deposits as it has not entered into any interest rate contracts. For the years ended December 31, 2018 and 2017, if interest rates had been 1% higher with all other variables held constant, the change in net loss would have been insignificant.

## 18. Subsequent event

Subsequent to year-end, 208,334 warrants were exercised and 100,000 expired leaving no remaining warrants outstanding.