PROVIDENCE GOLD MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Providence Gold Mines Inc.:

Opinion

We have audited the consolidated financial statements of Providence Gold Mines Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 26, 2019

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

		December 31, 2018		December 31, 2017
ASSETS				
Current assets				
Cash	**$**	**511,692**	$	313,011
Accounts receivable		**1,316**		11,375
Prepaid expenses and advances		**277,968**		17,793
Total Current assets		**790,976**		342,179
Non-Current assets				
Equipment, net		**9,629**		11,523
Exploration and evaluation assets – Note 5		**959,617**		567,881
Total Non-Current assets		**969,246**		579,404
Total Assets	**$**	**1,760,222**	$	921,583
LIABILITIES				
Current liabilities				
Trade and other payables – Note 7	**$**	**75,858**	$	176,495
Total Current liabilities		**75,858**		176,495
EQUITY				
Share capital – Note 6		**3,645,023**		2,529,950
Advance subscriptions – Note 14		**205,040**		-
Equity reserve		**89,800**		193,664
Accumulated deficit		**(2,255,499)**		(1,978,526)
Total Equity		**1,684,364**		745,088
Total Liabilities and Equity	**$**	**1,760,222**	$	921,583

Going concern of operations – Note 2(d)
Subsequent events – Note 14

APPROVED ON BEHALF OF THE DIRECTORS:

"Ronald Coombes"	Director	*"John Kowalchuk"*	Director
Ronald Coombes		John Kowalchuk	

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the year ended December 31		**2018**		2017
Expenses:				
Accounting and audit fees – Note 7	**$**	**30,622**	$	15,391
Amortization		**1,904**		954
Director's fees – Note 7		**25,890**		-
Finance Cost		**291**		615
Foreign exchange (gain) loss		**(1,289)**		7,403
Legal and corporate services – Note 7		**59,370**		66,318
Management fees – Note 7		**139,191**		251,380
Marketing activities – Note 7		**-**		175,729
Office, rent and administration – Note 7		**65,507**		34,939
Pre-exploration costs		**-**		10,000
Shareholder communications – Note 7		**15,994**		72,593
Transfer agent and filing fees		**14,354**		19,946
Total expenses		**(351,834)**		(655,268)
Other Income:				
Interest income		**197**		-
Gain on debt forgiveness – Note 7		**25,000**		-
Recovery of property cost		**-**		5,526
Total Other Income		**25,197**		5,526
Total loss and comprehensive loss for the year	**$**	**(326,637)**	$	(649,742)
Basic and diluted loss per common share	**$**	**(0.01)**	$	(0.04)
Weighted average shares outstanding – basic and diluted – Note 10		**23,379,418**		15,925,601

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the year ended December 31,		**2018**		2017
Operating Activities:				
Loss for the year	**$**	**(326,637)**	$	(649,742)
Item not involving cash:				
Amortization		**1,904**		954
Gain on debt forgiveness		**25,000**		-
Share-based compensation		**-**		180,000
Foreign exchange		**(10)**		-
Changes in non-cash working capital items:				
Accounts receivable		**10,059**		(10,177)
Prepaid expenses and advances		**(260,175)**		(17,793)
Trade and other payables		**(125,637)**		103,370
Cash outflows from operating activities		**(675,496)**		(393,388)
Investing Activity:				
Investment in equipment		**-**		(12,477)
Investment in exploration and evaluation assets		**(151,736)**		(394,881)
Cash outflows from investing activities		**(151,736)**		(407,358)
Financing Activities:				
Shares issued for cash		**830,795**		1,105,000
Share subscriptions received		**205,040**		-
Share issue costs		**(9,922)**		(11,703)
Cash inflows from financing activities		**1,025,913**		1,093,297
Total increase in cash during the period		**198,681**		292,551
Cash, beginning of the year		**313,011**		20,460
Cash, end of the year	**$**	**511,692**	$	313,011
Supplemental cash flow information:				
Interest paid	**$**	**4,846**	$	-
Income taxes paid	**$**	**-**	$	-
Non-cash investing and financing activities:				
Shares issued for property acquisition	**$**	**240,000**	$	173,000
Shares and warrants issued for finder's fees	**$**	**26,961**	$	81,984
Fair value of options cancelled and expired	**$**	**37,800**	$	-
Fair value of options exercised	**$**	**58,500**	$	-

PROVIDENCE GOLD MINES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Number of Shares Outstanding		Share capital		Equity reserve		Advance share subscriptions received		Accumulated deficit		Total equity
Balance – December 31, 2016	8,372,851	$	1,277,317	$	-	$	-	$	(1,328,784)	$	(51,467)
Common shares issued pursuant to:											
- private placement - at $0.10	1,450,000		145,000		-		-		-		145,000
- private placement - at $0.10	9,600,000		960,000		-		-		-		960,000
- agent cost - at $0.10	98,000		9,800		-		-		-		9,800
- agent cost - at $0.10	585,200		58,520		-		-		-		58,520
- property acquisition - at $0.10	1,730,000		173,000		-		-		-		173,000
Share issue costs:											
- finder's fee – shares and warrants	-		(11,760)		1,960		-		-		(9,800)
- finder's fee – shares and warrants	-		(70,224)		11,704		-		-		(58,520)
- filing fees	-		(11,703)		-		-		-		(11,703)
Stock based compensation	-		-		180,000		-		-		180,000
Net loss for the year	-		-		-		-		(649,742)		(649,742)
Balance – December 31, 2017	21,836,051		2,529,950		193,664		-		(1,978,526)		745,088
Common shares issued pursuant to:											
- private placement - at $0.12	6,056,627		726,795		-		-		-		726,795
- finder's cost - at $0.12	173,840		20,861		-		-		-		20,861
- property acquisition - at $0.16	1,500,000		240,000		-		-		-		240,000
- stock options exercised	650,000		162,500		(58,500)		-		-		104,000
Advance share subscriptions - at $0.12	-		-		-		205,040		-		205,040
Options expired and cancelled	-		1,800		(51,464)		-		49,664		-
Share issue costs:											
- finder's fee – shares and warrants	-		(26,961)		6,100		-		-		(20,861)
- filing fees	-		(9,922)		-		-		-		(9,922)
Net loss for the year	-		-		-		-		(326,637)		(326,637)
Balance – December 31, 2018	**30,216,518**	**$**	**3,645,023**	**$**	**89,800**	**$**	**205,040**	**$**	**(2,255,499)**	**$**	**1,684,364**

Note 1 Corporate Information

Providence Gold Mines Inc. (the "Company") was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations on April 18, 2011, on December 20, 2011 changed its name to Red Hut Metals Inc., and on July 12, 2017, the Company changed its name to Providence Gold Mines Inc. The Company is in the process of exploring and evaluating its mineral property located in California, United States.

The Company is a public company which trades on the TSX Venture Exchange ("TSX-V") under the trading symbol "PHD" as a Tier 2 issuer. The address of the Company's corporate office and principal place of business is 501 – 595 Howe Street, Vancouver, British Columbia, Canada.

Note 2 Basis of Preparation

a) Statement of Compliance

These audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2019.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value, as explained in the Company's accounting policies discussed in Note 3. The consolidated financial statements are also prepared using the accrual method of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The Company's accounting involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary, which is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company has one subsidiary, Providence Gold Mines (US) Inc., which was incorporated in United States of America on June 20, 2017, to carry out United States operations.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

Note 2 Basis of Preparation (cont'd)

d) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a loss of $326,637 during the year ended December 31, 2018 (2017 - $649,742), and as of that date, the Company's accumulated deficit was $2,269,163 (2017 - $1,978,526). Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. As at December 31, 2018, the Company had $511,692 (2017 - $313,011) in cash, working capital of $715,118 (2017 - $165,684) and no long-term debt (2017 - $nil).

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently during the years ended December 31, 2018 and 2017, unless otherwise indicated.

a) Foreign Currency Transactions

The functional currency is the currency of the primary economic environment in which the entity operates. 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.

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year end and the related translation differences are recognized in the Company's profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss, consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Note 3 **Summary of Significant Accounting Policies (cont'd)**

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less at inception, that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. As of December 31, 2018 and 2017, the Company had no cash equivalents on hand or bank overdrafts.

c) Pre-Exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

d) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been obtained, costs directly related to active exploration and evaluation expenditures ("E&E"), including borrowing costs related to the acquisition, construction or production of qualifying assets, are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including E&E assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has no cash generating unit for which impairment testing is performed. An impairment loss is charged to the Company's profit or loss, except to the extent that it reverses gains previously recognized in other comprehensive loss/income.

Note 3 Summary of Significant Accounting Policies (cont'd)

f) Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, *Financial instruments* ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, *Financial Instruments: recognition and measurement* ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis; however, this guidance had no impact on the Company's consolidated financial statements. As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as described below.

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

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

In accordance with the requirements of IFRS 9, the Company's financial instrument accounting policy is as follows:

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii. those to be measured subsequently at amortized cost.

Note 3 **Summary of Significant Accounting Policies (cont'd)**

f) Financial Instruments (cont'd)

Classification and Measurement (cont'd)

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i. amortized cost;
ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or at fair value through other comprehensive income are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in profit or loss. The Company's financial liabilities consist of trade and other payables, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Note 3 **Summary of Significant Accounting Policies (cont'd)**

f) Financial Instruments (cont'd)

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial 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 as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

g) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by E&E activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related E&E assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of changes in estimates are recognized as a corresponding change to the E&E asset, while accretion of the liability over the passage of time is recognized in profit or loss for the period.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. The Company did not have any significant future rehabilitation provisions as at December 31, 2018 or 2017.

h) Income Tax

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss. Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

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

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

Note 3 **Summary of Significant Accounting Policies (cont'd)**

i) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share purchase warrants and stock options are classified as equity instruments.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds. The residual method is used to calculate the fair value of the warrant component of units issued, whereby the residual of the private placement proceeds less the fair value of the share component is assigned as the fair value of the warrants.

j) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit per share is computed by dividing the Company's profit applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. Diluted loss per share is equal to basic loss per share, as the potentially dilutive instruments would be anti-dilutive.

k) Share-Based Payments

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss, E&E assets, or share capital, as applicable, over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares or E&E assets. Amounts related to the issuance of shares are recorded as a reduction of share capital and amounts related to the properties are capitalized. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Unless otherwise stated, the valuation model used is the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

Note 3 **Summary of Significant Accounting Policies (cont'd)**

k) Share-Based Payments (cont'd)

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

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

l) Standards, Amendments and Interpretations Not Yet Effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards that may impact the Company, which have been published but are only effective for accounting periods beginning on or after January 1, 2019 or later periods. The Company has assessed the impact that the new and amended standard noted below will have on its consolidated financial statements and whether to early adopt any of the new requirements and concluded that no material impact exists. The Company has also determined that any new standards not disclosed will not have an impact on the consolidated financial statements.

IFRS 16 Leases

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. IFRS 16 is effective for accounting periods beginning on or after January 1, 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019.

Note 4 Critical Accounting Estimates and Judgments

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

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

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount, if any, included in the tax liabilities.

d) Functional Currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company for financial support.

e) Going Concern

Management makes a judgment about the Company's ability to continue as a going concern by taking into account the consideration of the various factors discussed in Note 2.

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Note 5 Exploration and Evaluation Assets

	Tuolumne Property
Acquisition Costs:	
Balance, December 31, 2016	$ -
Cash payments	67,125
1,500,000 common shares at $0.10	150,000
230,000 finder's fees common shares at $0.10	23,000
Balance, December 31, 2017	240,125
Mineral Lease & Joint Venture Agreement	33,562
1,500,000 common shares at $0.16	240,000
Balance December 31, 2018	513,687
Exploration Costs:	
Balance, December 31, 2016	$ -
Geological costs	128,258
Claim maintenance	4,803
Mapping and reports	62,161
Field cost	87,330
Permits and taxes	2,522
Sample analysis	26,288
Staking costs	16,394
Balance, December 31, 2017	327,756
Geological costs (Note 5)	44,056
Field cost	55,311
Mapping and Reports	429
Permits and taxes	5,067
Sample analysis	13,311
Balance, December 31, 2018	445,930
Exploration and evaluation assets, December 31, 2017	**$ 567,881**
Exploration and evaluation assets, December 31, 2018	**$ 959,617**

Tuolumne Property

On March 28, 2017, the Company entered into an agreement (the "Agreement") with a group of owners, (collectively the "Assignors") whereby the Company can acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Tuolumne County, California, USA (the "Property") with a history of gold mineralization (the "Transaction").

Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

The Property includes six parcels and thirteen 20-acre mining claims. The Assignors have also staked a further nine claims contiguous to the existing claims for a total of 6 patented and 22 located mining claims.

As consideration for the assignment, the Company will assume all obligations of the Assignors to the Property owner, enter into a Lease/Purchase Agreement with the Property owner, and has agreed to pay the following to the Assignors:

a) Following regulatory approval, the Company will make a cash payment of US$25,000 (paid) and issue 1,500,000 common shares (issued);
b) After completing the recommended first year work program of at least $250,000 (completed), the Company will issue an additional 1,500,000 common shares (issued);
c) After completing the recommended second year work program of at least $750,000, the Company will issue an additional 1,500,000 common shares;
d) In the event the Company elects to acquire the Property for US$5,000,000 the Company will issue an additional 1,500,000 common shares.

One of the Assignors above, accounting for 50% of the share issuances, is a company controlled by an individual who subsequently was appointed director and officer of the Company.

The Company has negotiated the general terms and provisions whereby it can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property, the Company is required to pay the Property owners US$150,000, incur $2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

a) payment of US$25,000 following regulatory approval (paid);
b) payment of US$25,000 (paid) and incurring $250,000 (incurred) of expenditures by March 28, 2018;
c) payment of US$100,000 and incurring an additional $750,000 of expenditures by March 28, 2019; and
d) incurring an additional $1,000,000 of expenditures by March 28, 2020.

Having earned a 50% interest, a joint venture would be formed with the Property owner. Alternatively, a 100% interest in the Property can be acquired for US$5,000,000, at any time, of which one-half can be paid in shares of the Company.

The Property owner will retain a 2.5% net smelter returns royalty ("NSR"), of which 1.5% NSR can be acquired for US$1,000,000 at any time up to 90 days following commencement of commercial production on the Property.

In consideration of their efforts to bring the parties together on the Transaction, the Company issued the finders 230,000 shares as a finder's fee during the year ended December 31, 2017, with a further 465,620 shares to be issued after the Company meets its commitments in year 2.

Subsequent to December 31, 2018, the Company received time extensions from the Assignors, Property owners and finders with respect to incurring the exploration expenditures, issuing the common shares and making property related payments required for year 2 (see Note 14 – Subsequent events).

Note 5 Exploration and Evaluation Assets (cont'd)

Conuma Property

On December 15, 2011, the Company acquired a 100% interest in 11 mineral claims located in the Alberni and Nanaimo Mining Divisions of British Columbia, more commonly known as the Conuma Property (the "Property") pursuant to a Letter of Agreement dated May 16, 2011 and as amended December 15, 2011 (the "Agreement").

Under the terms of the Agreement, the Company paid $5,000 and issued 100,000 common shares with a fair value of $5,000 to the Vendor. The Company's 100% interest in the Property is subject to an NSR of 2% of gross revenues from the Property less certain permissible deductions, payable to the Vendor.

During the year ended December 31, 2013, the Company acquired by staking, mineral tenure covering the Norgate prospect, which is adjacent to and contiguous with its Conuma property. The addition of the Norgate claim increases total claims held by the Company to 12 and total hectares to 6,098.

Management previously wrote down the costs accumulated on the Conuma property to $nil as an asset impairment, in accordance with level 3 of the fair value hierarchy, and continues to expense amounts related to this property net of tax refunds. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions warranted a write down under its accounting policy for exploration and evaluation expenditures.

Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental matters related to any of its current or former properties that may result in a material liability to the Company.

Note 6 Share Capital and Equity Reserve

a) Common Shares

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Issuances for Cash

On December 12, 2018, the Company closed the first tranche of a non-brokered private placement for proceeds of $726,795 through the issuance of 6,056,627 Units at a price of $0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for period of three years, at a price of $0.15 in year one, $0.20 in year two and $0.25 in year three. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

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Note 6 **Share Capital and Equity Reserve (cont'd)**

a) Common Shares (cont'd)

An aggregate of 173,840 common shares and 219,864 warrants were issued as finder's fees and $9,922 was paid for filing fees pursuant to the private placement. A total of 177,200 finder's warrants contained the same terms as the warrants attached to the Units, with the remaining 42,664 finder's warrants entitling the holder to purchase one common share of the Company for period of two years at a price of $0.15 per common share. Share issue costs include $20,861 calculated as the fair value of the shares and $6,100 calculated as the fair value of the warrants.

The weighted average fair value of finder's warrants above was determined to be $0.02 per warrant using the Black-Scholes model with the following weighted average assumptions:

Stock price	$0.12
Exercise price	$0.20
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	59.22%
Risk-free rate	2.06%

The second and final tranche of the private placement was completed subsequent to December 31, 2018 (see Note 14 - Subsequent events).

On June 1, 2017 and July 27, 2017, the Company completed two private placements, for proceeds of $1,105,000 through the issuance of 11,050,000 Units at a price of $0.10 per Unit. Each Unit is comprised of one common share and one quarter of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.25 per share for a period of one year. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. 50,000 Units were purchased by a director of the Company.

An aggregate of 683,200 common shares and 683,200 warrants containing the same terms as the warrants attached to the Units were issued as finder's fees and $11,703 were paid for filing fees pursuant to the private placement. Share issue costs include $68,320 calculated as the fair value of the shares and $13,664 calculated as the fair value of the warrants. During the year ended December 31, 2018 the warrants issued expired unexercised.

The weighted average fair value of finder's warrants above was determined to be $0.02 per warrant using the Black-Scholes model with the following weighted average assumptions:

Stock price	$0.10
Exercise price	$0.25
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	110.75%
Risk-free rate	1.24%

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Note 6 Share Capital and Equity Reserve (cont'd)

a) Common Shares (cont'd)

Issued Pursuant to Mineral Property Acquisition

On June 15, 2017, the Company issued 1,500,000 common shares valued at $0.10 per share pursuant to the Tuolumne Property acquisition (Note 3). These shares are valued at market value on the date of issue of $150,000 and have been reflected as non-cash investing and financing activities in the statement of cash flows. Exploration and evaluation assets include $150,000 of cost for the fair value of the shares. 750,000 of these shares were issued to a company controlled by an individual who subsequently was appointed as a director and officer of the Company.

An aggregate of 230,000 common shares were issued as a finder's fee to a finder for their efforts to complete this transaction. Exploration and evaluation assets include $23,000 of cost for the fair value of the shares based on the market value on the date of issue.

During the year ended December 31, 2018 the Company issued additional 1,500,000 common shares valued at $0.16 per share pursuant to the Tuolumne Property acquisition (Note 5). These shares are valued at market value on the date of issue of $240,000 and have been reflected as non-cash investing and financing activities in the statement of cash flows. Exploration and evaluation assets include $240,000 of cost for the fair value of the shares. 750,000 of these shares were issued to a company controlled by an individual who is a director and officer of the Company.

b) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	3,445,700	$ 0.25	-	$ -
Issued	6,276,491	0.20	3,445,700	0.25
Expired	(3,445,700)	0.25	-	-
Ending balance	**6,276,491**	**$ 0.20**	**3,445,700**	**$ 0.25**

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

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life
Finder's warrants	42,664	$ 0.15	1.95 years
Warrants	6,056,627	$ 0.20	2.95 years
Finder's warrants	177,200	$ 0.20	2.95 years

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Note 6 Share Capital and Equity Reserve (cont'd)

c) Stock options

The Company, in accordance with the policies of the TSX-V, is authorized to grant stock options to directors, officers, employees and service providers to acquire up to 10% of common shares outstanding (the "Plan").

Under the Plan, options may be granted at, not less than the discounted market price of the Company's common shares as defined by the TSX-V on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient upon the grant of options and the options are not dependent on any performance-based criteria. Vesting of stock options is at the discretion of the Board but generally options will vest when granted except where granted for investor relations activities which vest, and may be exercised, in accordance with the Plan's vesting provisions as to ¼ of the options each 3 months.

Stock option transactions are summarized for the years ended December 31, 2018 and 2017.

	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	2,000,000	$ 0.16	-	$ -
Granted	-	-	2,000,000	0.16
Exercised	(650,000)	0.16	-	-
Expired/cancelled	(400,000)	0.16	-	-
Ending balance	**950,000**	**$ 0.16**	**2,000,000**	**$ 0.16**

During the year ended December 31, 2018, 650,000 stock options were exercised (2017 - nil) at $0.16 per share (2017 - $nil), for total proceeds of $104,000 (2017 - $nil). In conjunction with the exercise of stock options, $58,500 (2017 - $nil) was transferred from equity reserve to share capital.

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
$0.16	August 1, 2022	950,000	950,000	3.59 years

During the year ended December 31, 2017, the Company granted 2,000,000 stock options to directors, consultants and key employees at an exercise price equal to the market value on issue of $0.16 with expiry terms of 5 years. The Company expensed $180,000 for share-based payment transactions.

The weighted average measurement date fair value of stock options granted during the prior year has been estimated at $0.09 per option using the Black-Scholes option pricing model based on the following weighted average assumptions:

Stock price	$0.10
Exercise price	$0.16
Dividend rate	0%
Expected life	5 Years
Expected annual volatility	162.65%
Risk-free rate	1.77%

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Note 6 Share Capital and Equity Reserve (cont'd)

d) Expenses Arising from Share-Based Payment Transactions

	December 31, 2018		December 31, 2017	
Legal and corporate services	**$**	**-**	$	27,000
Management fees		**-**		108,000
Shareholder communications		**-**		31,500
Office, rent and administration		**-**		13,500
Total share-based payments expense	**$**	**-**	$	180,000

Note 7 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the years ended December 31, 2018 and 2017:

Year ended December 31,		**2018**		2017
Accounting fees	**$**	**9,750**	$	6,000
Directors' fees		**25,890**		-
Legal and corporate services		**29,371**		12,000
Management fees*		**135,000**		210,000
Marketing activities		**-**		5,000
Office, rent and administration		**9,500**		12,000
Shareholder communications		**4,750**		6,000
Geological costs (Note 5)		**8,000**		4,000
Forgiveness of debt		**(25,000)**		-
Total	**$**	**197,261**	$	255,000

*Includes share-based payments expense of $nil (2017 - $108,000) (see Note 6d).

During the year ended December 31, 2018, the Company incurred operational expenses totalling $28,500 (2017 - $36,000) from companies controlled by a director and officer of the Company. In addition, at December 31, 2018, an amount of $10,000 (2017 - $nil) was recorded as prepaid expenses and advances to an officer and director of the Company.

Key management personnel compensation

During the year ended December 31, 2018, the Company incurred compensation costs of $177,890 (2017 - $102,000) and share-based payments of $nil (2017 - $108,000) for its key management personnel. Key management personnel are comprised of the Company's directors and/or officers.

During the year ended December 31, 2018, the Company incurred geological costs of $8,000 capitalized as exploration costs (Note 5). The amount was paid to a director of the Company.

During the year ended December 31, 2018 trade and other payables included $50,549 (2017 - $121,775) owing to officers and directors and to a company controlled by a director and officer of the Company for management activities and operational expenses.

Note 8 Loans Payable

On July 23, 2018, the Company entered into loan agreements with an arms-length third party under which the Company received amounts of $30,000 and US$90,000 (CAD$116,257), that were unsecured, bore interest of 8% per annum and were due and payable upon demand. At December 17, 2018, the loans were repaid in full, plus interest of $4,846. There were no similar short-term loans entered into during the same period of the prior fiscal year.

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Note 9 **Segmented Reporting**

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that of acquisition and E&E activities in Canada and in the United States. A summary of the segmented assets as at December 31, 2018 and 2017, and the Company's loss and comprehensive loss for the years ended December 31, 2018 and 2017 is as follows:

		United States		**Canada**		**December 31, 2018 Total**
Loss for the year	**$**	**(36,601)**	**$**	**(290,036)**	**$**	**(326,637)**
Exploration and evaluation assets		**959,617**		**-**		**959,617**
Segment assets	**$**	**1,004,102**	**$**	**756,120**	**$**	**1,760,222**

		United States		Canada		December 31, 2017 Total
Loss for the year	$	(3,258)	$	(646,484)	$	(649,742)
Exploration and evaluation assets		567,881		-		567,881
Segment assets	$	714,257	$	207,326	$	921,583

Note 10 **Loss per share**

The denominator for the calculation of loss per share, being the weighted average number of common shares for the year ended December 31, 2018 and 2017, is calculated as follows:

Year ended December 31,	**2018**	2017
Issued and outstanding at the beginning of the year	**21,836,051**	8,372,851
Weighted average share issued during the year	**1,543,367**	7,552,750
Weighted average number of common shares (basic and diluted)	**23,379,418**	15,925,601

The Company's share purchase warrants and stock options have not been included in the calculation of diluted loss per share for the periods presented because their effect would have been anti-dilutive.

Note 11 **Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the year ended December 31, 2018.

Note 12 Financial Instruments

As at December 31, 2018, the Company's financial instruments consist of cash and trade and other payables.

a) Fair Value

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 — Fair value measurements are derived from quoted prices in active markets or identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The fair value of the Company's trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities. The Company's cash is measured at its fair value in accordance with level 1 of the fair value hierarchy.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2018. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at December 31, 2018 is $511,692 (2017 - $313,011). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant. The Company's exposure to credit risk has not changed significantly from the prior year.

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Note 12 Financial Instruments (cont'd)

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at December 31, 2018, the Company was holding cash of $511,692 (2017 - $313,011) and had trade and other payables of $75,858 (2017 - $176,495). The Company's trade and other payables are due within twelve months of year end.

Note 13 Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual combined federal and provincial income tax rate for the full financial year applied to the pre-tax income. The Company's effective tax rate for the year ended December 31, 2018 was 27% and 26% for the year ended December 31, 2017.

The differences between the tax expense for the years ended December 31, 2018 and 2017 and the expected income taxes based on the statutory rate are as follows:

December 31,		**2018**		2017
Loss before income taxes	**$**	**(326,637)**	$	(649,742)
Basic statutory income tax rate		**27.00%**		26.00%
Expected income tax recovery		**(88,200)**		(169,000)
Differences due to recognition of items for tax purposes and items not recognized:				
Change in statutory, foreign tax, foreign exchange rates and other		**(19,500)**		800
Permanent differences and other		**300**		47,600
Share issue costs		**(10,000)**		(21,300)
Tax benefits not recognized		**117,400**		141,900
Total income tax expense/(recovery)	**$**	**-**	$	-

The nature and tax effect of the temporary differences giving rise to deferred income tax assets and liabilities at December 31, 2018 and 2017 are summarized as follows:

	Non-capital losses carried forward	Share issue costs	Exploration and evaluation assets	Less: Unrecognized deferred income tax asset	Deferred income tax liability
Balance December 31, 2016	$ 327,600	$ 100	$ 42,300	$ (370,000)	$ -
Temporary difference	127,900	17,000	-	(144,900)	-
Balance December 31, 2017	455,500	17,100	42,300	(514,900)	-
Temporary difference	110,100	6,000	1,600	(117,700)	-
Balance December 31, 2018	**$ 565,600**	**$ 23,100**	**$ 43,900**	**$ (632,600)**	**$ -**

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Note 13 Income Taxes (cont'd)

As at December 31, 2018, the Company had estimated non-capital losses for Canadian tax purposes of $2,058,000 and non-capital losses for US tax purposes of $38,000. These losses may be carried forward to reduce taxable income in future years. A summary of the Canadian non-capital losses and their year of expiry are as follows:

Year of Expiry	Non-Capital Losses
2031	$ 31,000
2032	$ 194,000
2033	$ 198,000
2034	$ 361,000
2035	$ 277,000
2036	$ 199,000
2037	$ 482,000
2038	$ 316,000

The potential benefits of these carry-forward non-capital losses and deductible temporary differences have not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered. Tax attributes are subject to review, and potential adjustment, by tax authorities.

Note 14 Subsequent events

Subsequent to December 31, 2018, the Company:

a) closed the second and final tranche of a non-brokered private placement for additional proceeds of $223,040 through the issuance of 1,858,666 Units at a price of $0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for period of three years, at a price of $0.15 in year one, $0.20 in year two and $0.25 in year three (see Note 6). Total subscriptions received as at December 31, 2018 was $205,040;

b) granted a total of 2,000,000 incentive stock options priced at $0.15 exercisable for a period of five years to directors, officer, consultants and employees; and

c) received letters of extension regarding its year 2 property commitments as follows: (i) exploration expenditures of $750,000 required to be incurred on or before March 28, 2019 are now required to have been incurred by October 31, 2019; (ii) share issuances of 1,500,000 common shares after completing the recommended second year work program of at least $750,000 are required on or before October 31, 2019; (iii) the required payment of US$100,000 to the Property owners has been amended such that US$50,000 was paid upon the execution of the extension agreement and the remaining US$50,000 is due on or before October 15, 2019; and (iv) the issuance of 465,620 finder's fee shares to be issued after the Company meets its commitments in year 2 will now be issued on or before May 31, 2019.