



CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and the Period April 7–December 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Tectonic Metals Inc.

Opinion

We have audited the accompanying consolidated financial statements of Tectonic Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the period from incorporation on April 7, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from incorporation on April 7, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information.

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

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

We did not review any other information during the conduct of our audit.

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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

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

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

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

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

June 14, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash	5	\$ 2,079,340	\$ 157,210
Other current assets		94,548	7,139
		2,173,888	164,349
Equipment		24,852	3,265
Exploration and evaluation assets	6	367,998	55,383
		\$ 2,566,738	\$ 222,997
LIABILITIES			
Current			
Trade and other payables	5	\$ 113,219	\$ 70,217
SHAREHOLDERS' EQUITY			
Share capital	7	7,032,286	439,662
Share subscriptions received in advance	7	-	350,000
Deficit		(4,578,767)	(636,882)
		2,453,519	152,780
		\$ 2,566,738	\$ 222,997

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board:

“Antonio Reda”

Antonio Reda

“Eira Thomas”

Eira Thomas

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2018	For the period April 7–December 31, 2017
EXPENSES			
Exploration expenses	6,8	\$ 3,416,866	\$ 430,677
Administration expenses	8,9	510,653	202,050
Foreign exchange loss		14,366	4,155
		3,941,885	636,882
Loss and comprehensive loss for the period		\$ (3,941,885)	\$ (636,882)
Basic and diluted loss per common share		\$ (0.14)	(0.07)
Weighted average number of common shares outstanding		28,644,508	\$ 9,129,392

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

SHARE CAPITAL					
	Number	Amount	Share subscriptions received in advance	Deficit	Total
At April 7, 2017	-	\$ -	\$ -	\$ -	-
Shares issued for cash	4,000,000	40,000	-	-	40,000
Shares and share purchase warrant units issued for cash	8,200,000	410,000	-	-	410,000
Share issue costs	-	(10,338)	-	-	(10,338)
Share subscriptions received in advance	-	-	350,000	-	350,000
Loss for the period	-	-	-	(636,882)	(636,882)
At December 31, 2017	12,200,000	\$ 439,662	\$ 350,000	\$ (636,882)	\$ 152,780
Shares issued for cash	19,005,214	6,396,825	(102,000)	-	6,294,825
Shares issued for exploration expense	400,000	100,000	-	-	100,000
Share purchase warrant exercises	3,380,000	338,000	(248,000)	-	90,000
Shares issued for finder fees	24,845	8,696	-	-	8,696
Share issue costs	-	(250,287)	-	-	(250,897)
Loss for the year	-	-	-	(3,941,885)	(3,941,885)
At December 31, 2018	35,010,059	\$ 7,032,286	\$ -	\$ (4,578,767)	\$ 2,453,519

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2018	For the period April 7– December 31, 2017
OPERATING ACTIVITIES			
Loss for the period		\$ (3,941,885)	\$ (636,882)
Items not involving cash:			
Depreciation		4,962	1,238
Foreign exchange		13,251	3,083
Shares issued for exploration expense		100,000	-
Changes in non-cash working capital items:			
Decrease in other current assets		(87,409)	(7,139)
Increase in trade and other payables		43,002	70,217
Cash used in operating activities		<u>\$ (3,868,079)</u>	<u>\$ (569,483)</u>
INVESTING ACTIVITIES			
Exploration and evaluation assets		(312,615)	(55,383)
Equipment		(26,549)	(4,503)
Cash used in investing activities		<u>\$ (339,164)</u>	<u>\$ (59,886)</u>
FINANCING ACTIVITIES			
Proceeds from share and share purchase warrant issuances		6,294,825	450,000
Share subscriptions received in advance		-	350,000
Proceeds on exercise of warrants		90,000	-
Share issue costs		(242,201)	(10,338)
Cash provided by financing activities		<u>\$ 6,142,624</u>	<u>\$ 789,662</u>
Effect of foreign exchange on cash		(13,251)	(3,083)
Change in cash during the period		1,922,130	157,210
Cash—beginning of period		157,210	-
Cash—end of period		<u>\$ 2,079,340</u>	<u>\$ 157,210</u>

Supplemental cash flow information (Note 10)

01 NATURE OF OPERATIONS AND GOING CONCERN

Tectonic Metals Inc. (the “Company”) was incorporated on April 7, 2017 under the laws of under the British Columbia Business Corporations Act. The Company’s head office is at 312-744 West Hastings Street, Vancouver, British Columbia, V6C 1A5.

The Company’s principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The continuance of the Company’s operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company’s investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. Management estimates it has sufficient funds to operate for the upcoming twelve months.

02 BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 1, “Presentation of Financial Statements” and utilize accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Approval of The Financial Statements

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on June 14, 2019.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

Basis of Consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly-owned U.S. subsidiaries, District Metals LLC and Tectonic Resources LLC, the principal activity of which is exploration in the United States. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-company transactions and balances have been eliminated upon consolidation.

03 SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

FINANCIAL ASSETS

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets at amortized cost are measured at amortized cost using the effective interest method. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. On derecognition, the difference between the carrying amount measured at the date of derecognition and the consideration received is recognized in profit or loss.

The Company's financial assets which consist of cash are classified as amortized cost.

FINANCIAL LIABILITIES

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled, or they expire.

The Company's financial liabilities which consist of trade and other payables are classified as amortized cost.

IMPAIRMENT OF FINANCIAL ASSETS

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

There were no impairment losses recognized on financial assets during the year ended December 31, 2018 and the period April 7 – December 31, 2017.

Cash

Cash includes cash on account and demand deposits and are subject to insignificant changes in value.

Equipment

Computer equipment, computer software and exploration equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation using the declining balance method at rates designated to depreciate the cost of the asset over their estimated useful lives. All equipment is depreciated using an annual depreciation rate of 30%.

Exploration and Evaluation Assets

Exploration and evaluation costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development costs are net of the proceeds from the sale of metals from ore extracted during the development phase. Costs for a producing property will be depleted on a unit-of-production method based on the estimated life of the ore reserves when the technical feasibility and commercial viability of the property have been established. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability to obtain the necessary financing.

Impairment of Assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Restoration and Environmental Obligations

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

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

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

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the periods presented.

Income Taxes

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

DEFERRED TAX

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

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 financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided

VALUATION OF EQUITY UNITS ISSUED IN PRIVATE PLACEMENTS

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements while the Company is a private corporation was determined to be the more easily measurable component and were valued at their fair value, as determined by the unit price. Any value attributed to the warrants is recorded to reserves. Upon exercise, the original consideration is reallocated from share purchase warrants reserve to issued share capital along with the associated exercise price. Original consideration associated with expired share purchase warrants is reallocated to issued share capital.

Basic and Diluted Loss Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated assuming that outstanding share purchase warrants, with an average market price that exceeds the average exercise prices of the warrants for the reporting period, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the reporting period. Warrants were excluded from diluted loss per share for the periods presented.

Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company's operating segments are components of the Company's business for which discrete financial information is available and which are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

New Accounting Policies Adopted

IFRS 9: FINANCIAL INSTRUMENTS

The IASB issued IFRS 9 to replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 introduced a revised model for classification and measurement. The Company early adopted IFRS 9 effective April 7, 2017.

IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

IFRIC 23 is applied to the determination of taxable profit or loss, unused tax losses, unused tax credits, tax rates and tax bases, when there is uncertainty about income tax treatment under IAS 12 Income Taxes. The Company early adopted IFRIC 23 effective April 7, 2017.

New and Amended IFRS Pronouncements

The following standard applicable to the Company is not yet effective and has not been applied in preparing these consolidated financial statements.

IFRS 16: LEASES

The IASB issued IFRS 16 to replace IAS 17: Leases. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company has determined the impact of this new standard will require the capitalization of an office lease agreement and increased disclosure.

04 KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the consolidated financial statements are described below:

Economic Recoverability and Probability of Future Economic Benefits of Exploration and Evaluation Assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

DETERMINATION OF FUNCTIONAL CURRENCY

The Company determines the functional currency through an analysis of several indicators of autonomy such as financing activities, expenses and cash flow, retention of operating cash flows, and frequency of transactions with the reporting entity.

05 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The value of cash and trade and other payables approximates their carrying values as December 31, 2018 and December 31, 2017 due to their short-term nature.

Financial Risk Factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency, and price risk.

CREDIT RISK

The Company is exposed to industry credit risks arising from its cash. The Company manages credit risk by holding cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is nominal.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements on an ongoing basis and assess available and required sources of additional capital and financing.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2018.

FOREIGN CURRENCY RISK

The Company is exposed to nominally foreign currency risk on fluctuations related to cash and trade and other payables that are denominated in United States Dollars.

PRICE RISK

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity

prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

06 EXPLORATION AND EVALUATION ASSETS

Carrying Amount

The following table represents acquisition costs incurred on the exploration and evaluation assets:

	MCQ, Canada	Tibbs, USA	Seventymile, USA	Northway, USA	Total
At April 7, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Additions: Cash property payments	-	40,393	-	-	40,393
Additions: Staking	14,990	-	-	-	14,990
At December 31, 2017	14,990	40,393	-	-	55,383
Additions: Cash property payments	100,000	64,940	38,892	38,892	242,724
Additions: Staking	44,370	9,570	-	15,951	69,891
At December 31, 2018	\$ 159,360	\$ 114,903	\$ 38,892	\$ 54,843	\$ 367,998

Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the consolidated statement of loss and comprehensive loss, are as follows:

	MCQ	Tibbs	Seventymile	Northway	Project Support	Total for the year ended December 31, 2018
Registration fees	\$ 15,599	\$ 47,091	\$ -	\$ 17,176	\$ 195	\$ 80,061
Scholarship fees	-	-	33,265	33,265	-	66,530
Trenching & helicopter	-	377,266	207,002	174,541	-	758,809
Pre-season work	-	57,681	-	-	-	57,681
GeoProbe	290,679	76,345	69,211	-	-	436,235
Soil and rock sampling	100,000	-	106,090	422,907	-	628,997
Geophysical surveying	185,072	201,714	228,943	-	81	615,810
Drilling	58,747	-	-	-	-	58,747
Geological consulting	6,892	13,670	13,443	2,146	14,135	50,286
Salary & legal costs	69,361	182,534	159,687	166,973	-	578,555
Other	8,974	13,243	8,025	5,245	49,668	85,156
Total exploration expenditures	\$ 735,324	\$ 969,544	\$ 825,666	\$ 822,253	\$ 64,079	\$ 3,416,866

	MCQ	Tibbs	Seventymile	Northway	Project Support	Total for the period April 7–December 31, 2017
Registration fees	\$ 3,872	\$ 22,745	\$ -	\$ -	\$ -	\$ 26,617
Trenching & helicopter	-	217,856	-	-	-	217,856
Geological consulting	-	4,550	-	-	14,981	19,531
Salary & legal costs	23,964	23,298	85,408	28,632	758	162,060
Other	-	1,546	-	2,494	574	4,613
Total exploration expenditures	\$ 27,836	\$269,995	\$ 85,408	\$ 31,126	\$ 16,312	\$ 430,677

Property Agreements

NORTHWAY

In June 2018, the Company entered into a mining lease agreement with Doyon, Limited (“Doyon”) for a 100% interest in an area of the Alaska Native regional corporation mineral estate in the southern Fortymile Mining District, Alaska (the “Northway Property”). The lease covers the mineral estate and a portion of the surface estate and grants the Company rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term is for fifteen years and the lease agreement includes renewal clauses to extend the lease period up to the entire operational period of a mine.

In consideration the Company paid Doyon \$38,892 (\$30,000 USD) in June 2018 and is committed to the following remaining option payments:

- I. \$30,000 USD each January in 2019–2021
- II. \$60,000 USD each January 2022–2027
- III. \$200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study this annual payment shall be increased to \$300,000 USD.
- IV. \$600,000 USD upon completion of a feasibility study

The Company has committed to incur the following amounts for exploration expenditures on the Northway Property:

Calendar Years	Amount of exploration expenditures (USD\$)
2018 (commitment fully met)	400,000
2019	600,000
2020–2023	750,000
2024–2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company paid Doyon a scholarship fee of \$33,265 (\$25,000 US) during the year ended December 31, 2018 and is committed to paying a \$25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to \$50,000 USD each year following the commencement of commercial production at the Northway Property.

SEVENTYMILE

In June 2018, the Company entered into a mining lease agreement with Doyon for a 100% interest in the area of the Alaska Native regional corporation mineral estate in the Eagle Mining District, Alaska (the “Seventymile Property”). The lease covers the mineral estate and the surface estate and grants the Company rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term is for fifteen years and the lease agreement includes renewal clauses to extend the lease period up to the entire operating operation period of a mine.

In consideration the Company paid Doyon \$38,892 (\$30,000 USD) in June 2018 and is committed to the following remaining option payments:

- i) \$30,000 USD each January in 2019–2021
- ii) \$60,000 USD each January 2022–2027
- iii) \$200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study this annual payment shall be increased to \$300,000 USD.
- iv) \$600,000 USD upon completion of a feasibility study

The Company has committed to incur the following amounts for exploration expenditures on the Seventymile Property:

Calendar Years	Amount of exploration expenditures (USD\$)
2018 (commitment fully met)	400,000
2019	600,000
2020-2023	750,000
2024-2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company paid Doyon a scholarship fee of \$33,265 (\$25,000 US) during the year ended December 31, 2018 and is committed to paying a \$25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to \$50,000 USD each year following the commencement of commercial production at the Seventymile Property.

TIBBS

In June 2017, the Company entered into a mining lease and option agreement with Tibbs Creek Gold, LLC. (“Tibbs”) for a 100% interest in the surface and subsurface rights to State of Alaska Mining Claims in the Fairbanks Recording District, Alaska (the “Tibbs Property”). The agreement grants Tibbs a 2.5% NSR, of which 1.5% can be purchased for \$1,500,000 USD. The term of the lease is ten years.

In consideration the Company paid Tibbs \$40,393 (\$30,000 USD) in June 2017 and \$64,940 (\$50,000 USD) in June 2018. The Company is committed to paying a \$50,000 USD option payment each June in 2019-2027. The Company must incur an aggregate amount of \$1,000,000 USD in exploration expenditures by June 2022.

MCQ

In January 2018 and amended subsequent to December 31, 2018, the Company entered into an option agreement with Shawn Ryan and Wildwood Holdings Inc. (the “MCQ Option Holders”) for a 100% interest in the Mayo District of Yukon Canada (the “MCQ Property”). The MCQ Option Holders are granted a 2.0% NSR of which half is purchasable by the Company for \$2,000,000.

In consideration the Company paid the MCQ Option Holders \$100,000 in January 2018 and is committed to the following remaining option payments:

Year	Cash Payment	Number of common shares of the Company
January 2019	50,000	150,000
November 2019	50,000	150,000
January 2020	100,000	300,000
January 2021	125,000	300,000
January 2022	150,000	300,000
January 2023	200,000	500,000

Subsequent to December 31, 2018, the Company paid the \$50,000 option payment and issued the 150,000 common shares of the Company due January 2019.

The Company has committed to incur the following amounts for exploration expenditures on the MCQ Property:

Year	Amount of exploration expenditures
By November 15, 2018 (commitment fully met)	\$ 300,000
By November 15 in each year of 2020-2021	\$ 500,000
By November 15, 2022	\$ 1,610,000

During the year ended December 31, 2018, the Company issued Shawn Ryan 400,000 common shares with a value of \$0.25 per share for a total issuance of \$100,000 in compensation for previous exploration work performed on the MCQ property (Note 7c)

07 SHARE CAPITAL AND RESERVES

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued Share Capital

- a) On June 9, 2017, the Company issued 4,000,000 common shares to the founders of the Company at a price of \$0.01 per share for total proceeds of \$40,000.
- b) On June 16, 2017, the Company issued 8,200,000 units at a price of \$0.05 per unit for gross proceeds of \$410,000. Each unit comprised of one common share and half a warrant. Each full warrant is convertible into one common share at an exercise price of \$0.10 and expires June 16, 2022. The fair value attributed to the common shares was \$410,000.
- c) On April 12, 2018, as per the terms of the option agreement on the MCQ Property (Note 6), the Company issued Shawn Ryan of Wildwood Exploration Inc. 400,000 common shares with a value of \$0.25 per share for a total issuance of \$100,000 in compensation for exploration work performed on the MCQ property.
- d) On April 12, 2018, the Company completed an employee financing. The Company issued 1,020,000 common shares at a price of \$0.10 per share for gross proceeds of \$102,000. These proceeds were received in advance during the period April 7 – December 31, 2017.
- e) On April 13, 2018, the Company completed a private placement financing. The Company issued 17,985,214 common shares at a price of \$0.35 per share for gross proceeds of \$6,294,825. Financing costs were \$242,201, for net proceeds of \$6,052,624. Additionally, the Company issued 24,845 common shares to an agent as compensation for finder fees valued at \$8,696.
- f) During the period April 7 – December 31, 2017, the Company declared an early warrant financing. To incentivize warrant holders to exercise their warrants, each warrant exercised would be exchanged for a common share and an additional warrant. Each new warrant would be convertible into one common share at an exercise price of \$0.25 and expire June 16, 2022. During the year ended December 31, 2018, 3,380,000 warrants issued under Notes 7b and 7d were exercised under the early exercise financing for total proceeds of \$338,000. Of these proceeds, \$248,000 were received in advance during the period April 7 – December 31, 2017.

Share Purchase Warrants

- g) On June 16, 2017, the Company issued 4,100,000 warrants in connection with its financing described in Note 7b. The value attributable to the warrants was \$nil.
- h) On April 12, 2018, the Company issued 2,980,000 warrants in connection with its early warrant financing described in Note 7f. The value attributable to the warrants was \$nil.
- i) On April 16, 2018, the Company issued 400,000 warrants in connection with its early warrant financing described in Note 7f. The value attributable to the warrants was \$nil.

A summary of the Company's warrants and the changes during the period are as follows:

	Number of warrants	Shares to be issued upon exercise of the warrants	Weighted average exercise price (\$)
Balance – April 7, 2017	-	-	-
Issued	4,100,000	4,100,000	0.10
Balance – December 31, 2017	4,100,000	4,100,000	0.10
Issued	3,380,000	3,380,000	0.25
Exercised	(3,380,000)	(3,380,000)	(0.10)
Balance – December 31, 2018	4,100,000	4,100,000	0.22

Warrants outstanding as at December 31, 2018 are as follows:

Number outstanding	Exercise price per share	Expiry date
720,000	\$ 0.10	June 16, 2022
3,380,000	\$ 0.25	June 16, 2022
4,100,000		

08 RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its directors and officers. The Company entered into the following transactions with its key management:

	For the year ended December 31, 2018	For April 7–December 31, 2017
Employee salaries and benefits – administration expense	\$ 151,468	\$ 10,374
Employee salaries and benefits – exploration expense	270,693	213,763
Professional fees	9,000	14,000
Exploration expense	1,555,702	-

As of December 31, 2018, included in accounts payable is \$nil (December 31, 2017: \$1,000) due to directors and officers of the Company.

09 ADMINISTRATION EXPENSES

The administration expenses for the Company are as follows:

	For the year ended December 31, 2018	For the period April 7- December 31, 2017
Employee benefits and salary	\$ 203,178	\$ 110,516
Professional fees	103,726	26,509
Travel and meals	65,604	33,023
Insurance	13,447	2,476
Marketing	49,096	9,585
Other	75,602	19,940
Total administration expenses	\$ 510,653	\$ 202,049

10 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31, 2018, the Company's significant non-cash transactions consisted of:

	For the year ended December 31, 2018	For the period April 7- December 31, 2017
Subscriptions received in prior period transferred to share capital	\$ 350,000	-
Shares issued for financing fees	\$ 8,696	-

11 CONTRACTUAL OBLIGATIONS

During the year ended December 31, 2018, the Company signed an office lease agreement to pay rent for the year ended December 31, 2019 of \$20,805 and for the year ended December 31, 2020 of \$9,252.

12 SEGMENTED INFORMATION

The Company's reportable operating segments, which are components of the Company's business where separate financial information is available and which are evaluated on a regular basis by the Company's Chief Executive Officer, who is the Company's chief operating decision maker, for the purpose of assessing performance. The Company's operating segments are its exploration and evaluation assets and expenditures which are disclosed by geographic location in Note 6. All corporate expenses are incurred in Canada.

13 INCOME TAXES

The income tax recovery differs from the amount that would result from applying the federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	For the year ended December 31, 2018	For the period April 7- December 31, 2017
Loss for the period before income tax	\$ (3,941,885)	\$ (636,882)
Canadian federal and provincial income tax rates	12%	13%
Income tax recovery based on the above rates	(473,026)	(79,610)
Increase (decrease) due to:		
Difference between statutory and foreign and long-term tax rates	(693,971)	(108,374)
Permanent differences and other	(59,017)	(840)
Change in valuation allowance	1,226,104	188,824
Total income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2018	2017
Deferred tax assets:		
Exploration and evaluation assets	\$ 985,150	\$ 132,796
Non-capital losses available for future period	375,705	56,028
Other	54,073	-
Value of deferred income tax assets	1,414,928	188,824
Valuation allowance	(1,414,928)	(188,824)
Net deferred income tax assets	\$ -	\$ -

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

The Company has non-capital losses of \$1,391,499 available to offset against taxable income in future years, which if unutilized will expire 2037-2038 and share issue costs of \$248,947 available to offset against taxable income in future years, which if unutilized will expire through 2023. The Company also has resource exploration expenditures of \$3,611,720 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.

14 CAPITAL MANAGEMENT

The Company manages its capital structure based on the funds available to the Company in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and warrants.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such the Company has historically relied on the equity markets to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2018 and the period April 7 – December 31, 2017.

As of December 31, 2018, the capital structure of the Company consists of \$2,453,519 (2017 – \$152,780) equity attributable to common shareholders, comprising of issued capital and deficit.

15 SUBSEQUENT EVENTS

PROPOSED TRANSACTION

Subsequent to December 31, 2018, the Company announced a private placement issuance of up to 14,285,715 special warrants at \$0.35 per special warrant (the "Special Warrants") concurrent with the intent to list all of its outstanding common shares on the Toronto Venture Stock Exchange (the "TSXV"). The agents have an option to increase the private placement by 15%. Upon closing of the private placement, the Company has 120 days to obtain a receipt for a final non-offering prospectus with the TSXV or the Company will be obligated to issue an additional 10% Special Warrants to existing Special Warrant holders. Each Special Warrant entitles to the holder to one common share of the Company and one warrant exercisable into one common share of the Company with an expiry of two years after closing of the private placement and an exercise price of \$0.50.

The Company will pay a cash commission of 6% of the brokered gross proceeds, compensation warrants to acquire common shares equal to 6% of the number of brokered Special Warrants sold, and a cash commission

of 2% of the non-brokered gross proceeds. The Company will also pay a finance fee of \$100,000 payable \$50,000 in cash and 142,857 Special Warrants.