Financial statements of
Maple Gold Mines Ltd.
(An Exploration Stage Company)

December 31, 2019

Deloitte.

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Independent Auditor's Report

To the Shareholders of Maple Gold Mines Ltd.

Opinion

We have audited the financial statements of Maple Gold Mines (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a loss of $3,668,622 for the year ended December 31, 2019. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, BC
April 23, 2020

Maple Gold Mines Ltd.

Statement of financial position

As at December 31, 2019

(Expressed in Canadian dollars)

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	4	**4,102,551**	2,786,340
Sales taxes receivable		**139,156**	43,011
Sublease receivables	9(a)	**163,351**	—
Mineral exploration tax credit receivable	2(c)(ii)	**399,966**	1,919,456
Prepaid expenses and deposits		**475,729**	425,556
		5,280,753	5,174,363
Property and equipment	5	**555,092**	193,325
		5,835,845	5,367,688
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**635,679**	896,422
Flow-through share premium liability	7	**800,428**	254,750
Payable to Revenu Quebec	8	**445,012**	405,031
Lease liabilities – current portion	9(b)	**404,957**	—
Lease inducement – current portion		**—**	47,518
		2,286,076	1,603,721
Non-current liabilities			
Lease liabilities	9(b)	**179,602**	—
Provision for site reclamation and closure	6	**50,384**	50,384
Lease inducement		**—**	127,514
		2,516,062	1,781,619
Equity			
Share capital	10	**49,167,035**	46,315,337
Reserves	10	**11,398,483**	11,022,877
Deficit		**(57,245,735)**	(53,752,145)
		3,319,783	3,586,069
		5,835,845	5,367,688

The accompanying notes are an integral part of the financial statements.

Approved by the Board

/s/ B. Matthew Hornor

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B. Matthew Hornor, Director

/s/ Sean Charland

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Sean Charland, Director

Maple Gold Mines Ltd.

Statement of loss and comprehensive Loss

Year ended December 31, 2019

(Expressed in Canadian dollars)

	Notes	2019 $	2018 $
Operating expenses (income)			
Exploration and evaluation expenses	6	**2,155,378**	4,339,014
General and administrative	11	**1,829,704**	3,174,662
Finance income		**(249,584)**	(96,044)
Finance expense		**320,678**	52,967
Amortization of flow-through share premium	7	**(392,823)**	(1,804,015)
Loss on disposition of property and equipment		**5,269**	15,328
Loss and comprehensive loss for the year		**3,668,622**	5,681,912
Basic and diluted loss per share	14	**0.02**	0.03
Weighted average number of common shares outstanding (basic and diluted)		**223,594,588**	200,344,048

The accompanying notes are an integral part of the financial statements.

Maple Gold Mines Ltd.

Statement of changes in equity

Year ended December 31, 2019

(Expressed in Canadian dollars, except share amounts)

Equity attributable to shareholders

	Notes	Share capital		Reserves				
		Number	Amount $	Share-based payments reserve $	Warrants reserve $	Total reserves $	Deficit $	Total $
Balance, December 31, 2017		181,871,414	40,455,261	2,486,598	8,246,065	10,732,663	(48,070,233)	3,117,691
Shares and warrants issued pursuant to a private placement, net of share issue costs and flow-through share premium liability	10(b)(iv)	24,791,634	5,461,962	—	13,457	13,457	—	5,475,419
Options exercised	10(c)	872,500	117,693	(27,243)	—	(27,243)	—	90,450
Warrants exercised	10(d)	933,224	280,421	—	(140,263)	(140,263)	—	140,158
Share-based payments	10(c)	—	—	444,263	—	444,263	—	444,263
Comprehensive loss		—	—	—	—	—	(5,681,912)	(5,681,912)
Balance, December 31, 2018		208,468,772	46,315,337	2,903,618	8,119,259	11,022,877	(53,752,145)	3,586,069
Adjustment on initial application of IFRS 16 (Note 2(d))		—	—	—	—	—	175,032	175,032
Balance, January 1, 2019		208,468,772	46,315,337	2,903,618	8,119,259	11,022,877	(53,577,113)	3,761,101
Shares issued pursuant to a private placement, net of share issue costs and flow-through share premium liability	10(b)(i)	18,400,000	1,816,536	—	—	—	—	1,816,536
Shares issued in settlement of debt	10(b)(ii)	568,182	62,500	—	—	—	—	62,500
Shares issued pursuant to a private placement, net of share issue costs and flow-through share premium liability	10(b)(iii)	11,750,000	972,662	—	—	—	—	972,662
Share-based payments	10(c)	—	—	375,606	—	375,606	—	375,606
Comprehensive loss		—	—	—	—	—	(3,668,622)	(3,668,622)
Balance, December 31, 2019		**239,186,954**	**49,167,035**	**3,279,224**	**8,119,259**	**11,398,483**	**(57,245,735)**	**3,319,783**

The accompanying notes are an integral part of the financial statements.

Maple Gold Mines Ltd.

Statement of cash flows

Year ended December 31, 2019

(Expressed in Canadian dollars, unless otherwise stated)

	2019 $	2018 $
Operating activities		
Loss for the year	**(3,668,622)**	(5,681,912)
Adjustments for		
Amortization of flow-through share premium	**(392,823)**	(1,804,015)
Depreciation	**414,876**	89,224
Share-based payments	**375,606**	444,263
Finance income	**(129,211)**	—
Finance expense	**276,296**	—
Lease inducement	**—**	94,959
(Gain) loss on disposition of property and equipment	**(2,557)**	15,328
Changes in non-cash working capital items		
Sales taxes receivable	**(96,145)**	401,146
Mineral exploration tax credit receivable	**1,519,490**	(1,919,456)
Prepaid expenses and deposits	**(50,173)**	(38,735)
Accounts payable and accrued liabilities	**(198,243)**	(907,933)
Payable to Revenu Quebec	**39,981**	(69,758)
	(1,911,525)	(9,376,889)
Investing activities		
Acquisition of property and equipment	**(31,246)**	(31,269)
Proceeds on sale of property and equipment	**16,546**	—
	(14,700)	(31,269)
Financing activities		
Proceeds from issuance of common shares, net of share issue costs	**3,727,698**	6,058,750
Repayment of lease liabilities	**(823,210)**	—
Receipt of sublease receivables	**337,948**	—
Proceeds from option exercise	**—**	90,450
Proceeds from warrant exercise	**—**	140,158
	3,242,436	6,289,358
Net change in cash and cash equivalents	**1,316,211**	(3,118,800)
Cash and cash equivalents, beginning of year	**2,786,340**	5,905,140
Cash and cash equivalents, end of year	**4,102,551**	2,786,340

The accompanying notes are an integral part of the financial statements.

1. Corporate information

Maple Gold Mines Ltd. (the "Company" or "Maple Gold") is a company domiciled in Canada. Maple Gold was incorporated on June 3, 2010 under the Ontario Business Corporations Act and was continued under the Canada Corporations Act by articles of continuance dated June 22, 2011. The address of the Company's registered office is 250 Place d'Youville, 2e etage, Montreal, Quebec, H2Y 2B6. The Company is primarily involved in the exploration of mineral resources.

The Company's financial statements have been prepared on a going concern basis, which presumes the realization of assets and satisfaction of liabilities in the normal course of business.

At December 31, 2019, the Company has working capital of $2,994,677 (December 31, 2018 – $3,570,642) and an accumulated deficit of $57,245,735 (December 31, 2018 - $53,752,145). During the year ended December 31, 2019, the Company incurred a loss of $3,668,622 (December 31, 2018 - $5,681,912) and expects to continue to incur operating losses in relation to exploration activities.

At December 31, 2019, the Company believes that it has adequate resources to maintain its minimum obligations, including general corporate activities, based on its cash position and ability to pursue additional sources of financing, including equity placements.

The Company currently has no source of operating cash flow, and has no assurance that additional funding will be available to it for additional exploration programs at its properties, or to enable the Company to fulfill its obligations under any applicable agreements. The Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. As such, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 23, 2020.

(b) Basis of preparation

These financial statements have been prepared on a historical cost basis. The presentation currency is the Canadian dollar; therefore all amounts are presented in Canadian dollars unless otherwise noted.

(c) Critical accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

2. Basis of presentation (continued)

(c) Critical accounting judgments and estimates (continued)

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

(i) Going concern risk assessment

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

(ii) Mineral exploration tax credits recoverable ("METC")

Due to complex tax laws and regulations, the Company estimates amounts recoverable as METC based on returns filed, the assessment history of the filings by the respective regulatory authorities and the expected recoverable amount on claimable qualifying expenditures. This subject's complexity requires management to make judgments about the eligible exploration expenditures.

The Company has received METC payments from Revenu Quebec with respect to the 2011 to 2014 tax years and these tax years are currently under audit by Revenu Quebec (Note 8). The 2015 to 2017 METC claims have been audited by Revenu Quebec and final payments received. The 2018 METC claim has been audited by Revenu Quebec and the receivable at December 31, 2019 has been received subsequent to year end.

(iii) Leases

Management applies judgment to determine whether a contract is, or contains, a lease from both a lessee and lessor perspective. This assessment is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Key judgments include whether a contract identifies an asset (a portion of an asset may be identified), whether the lessee obtains substantially all of the economic benefits of the asset over the contract term, and whether the lessee has the right to direct the asset's use. Judgment is also applied in determining the rate used to discount the lease payments.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

(i) Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company.
In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

2. Basis of presentation (continued)

(c) Critical accounting judgments and estimates (continued)

(ii) Share-based compensation

The Company determines the fair value of share options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility and expected life of the option. Changes in these inputs and the underlying assumption used to develop them can materially affect the fair value estimate.

(iii) Income taxes

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

(iv) Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

(v) Leases

Management applies its best estimate with respect to the likelihood of renewal, extension and termination option exercise in determining the lease term.

(d) Changes in accounting policies

Leases

Effective January 1,2019, the Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1,2019 for any differences identified, including adjustments to the opening deficit balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

2. Basis of presentation (continued)

(d) Changes in accounting policies (continued)

Leases (continued)

In applying IFRS 16 for all leases, except as noted above, the Company:

- recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognizes the depreciation of ROU assets and interest on lease liabilities in the statement of loss and comprehensive loss; and
- separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the statement of cash flows.

For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within exploration and evaluation expenses and general and administrative in the statement of loss and comprehensive loss.

When the Company is an intermediate lessor, it determines at lease inception date whether each sub-lease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sub-lease is a financial lease; if not, then it is an operational lease.

For financial leases, and when the Company acts as intermediate lessor, it recognizes a sublease receivable and derecognizes the ROU assets relating to the head lease that it transfers to the sub lessees. ROU assets and lease receivables relating to the sub leases are measured in the same way as the ROU assets and lease liabilities for the head lease, using the same discount rate for the actualization of future payments to be received.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Accounting for non-lease components and lease components as a single lease component.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified contracts containing leases that have an equivalent increase to both the Company's ROU assets and lease liabilities by $2,011,574. The Company derecognized right-of use assets relating to the head lease that it transfers to sub lessees (for the sublease of a part of its office space) and recognizes receivables from the subleases for a total amount of $1,027,983, with no impact on deficit.

In addition, $175,032 of leasehold inducements was written-off to opening deficit balance, as the ROU asset was not reduced by any lease incentives received.

The incremental borrowing rate for lease liabilities and sublease receivables initially recognized on adoption of IFRS 16 was 20%.

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of presentation (continued)

(d) Changes in accounting policies (continued)

Leases (continued)

The cumulative effect of the changes made to the January 1, 2019 statement of financial position for the adoption of IFRS 16 is as follows:

	Balance at December 31, 2018 (as reported)	IFRS 16	Balance at January 1, 2019
	$	$	$
Assets			
Sub-lease receivables	—	1,027,983	1,027,983
Property and equipment	193,325	983,591	1,176,916
Liabilities			
Lease liabilities	—	2,011,574	2,011,574
Lease inducement	175,032	(175,032)	—
Equity			
Deficit	(53,752,145)	175,032	(53,577,113)

The operating lease obligations as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

	January 1, 2019
	$
Operating lease commitments as at December 31, 2018	**983,449**
Operating lease commitments on adoption of IFRS 16	**1,699,828**
Operating leases with a lease term less than twelve months	**(46,720)**
Effect of discounting	**(624,983)**
Lease liabilities due to initial application of IFRS 16	**2,011,574**

The Company's significant accounting policy for leases in accordance with IFRS 16 is disclosed in Note 3(m).

3. Significant accounting policies

(a) Foreign currency translation

The financial statements of the Company are prepared in its functional currency determined on basis of the primary economic environment in which it operates. The presentation and functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the statements of loss and comprehensive loss for the period in which they arise.

3. Significant accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

(c) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by relevant taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. These METC amounts are offset against exploration and evaluation expenses.

(d) Property and equipment

Property and equipment is stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives as follows:

Camp equipment	5 years
Computer equipment	3 years
Leasehold improvements	Lower of term of lease or economic life
Office furniture	Lower of term of lease or economic life

Amortization methods, useful lives and residual values are reviewed periodically and at each financial year end and adjusted it appropriate

(e) Exploration and evaluation expenses

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to its mineral property and, to the best of its knowledge title to its property is in good standing.

The costs of acquiring rights to explore, exploratory drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contain proven and probable reserves are exploration and evaluation expenses and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Exploration and evaluation expenses incurred subsequent to the establishment of economic recoverability are capitalized and included in the carrying amount of the related mining property.

3. Significant accounting policies (continued)

(e) Exploration and evaluation expenses (continued)

Management uses the following criteria in its assessments of economic recoverability and probability of future economic benefit:

(i) Geology: there is sufficient geologic certainty of converting a mineral deposit into a proven and probable reserve. There is a history of conversion to reserves at operating mines;

(ii) Scoping, prefeasibility or feasibility: there is a scoping study, prefeasibility or preliminary feasibility study that demonstrates the additional reserves and resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recover the incremental costs of extraction and production;

(iii) Accessible facilities: the mineral deposit can be processed economically at accessible mining and processing facilities where applicable;

(iv) Life of mine plans: an overall life of mine plan and economic model to support the economic extraction of reserves and resources exists. A long-term life of mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body; and

(v) Authorizations: operating permits and feasible environmental programs exist or are obtainable.

Prior to capitalizing exploratory drilling, evaluation, development and related costs, management determines that the following conditions have been met:

(i) It is probable that a future economic benefit will flow to the Company;

(ii) The Company can obtain the benefit and controls access to it;

(iii) The transaction or event giving rise to the future economic benefit has already occurred; and

(iv) Costs incurred can be measured reliably.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(g) Provision for site reclamation and closure

An obligation to incur rehabilitation and site restoration costs arises when environmental disturbance is caused by the exploration, development or on-going production of a mineral property interest. Costs for restoration of subsequent site damage, which is created on an on-going basis during production, are provided for at their estimated net present values and charged against earnings as extraction progresses.

3. Significant accounting policies (continued)

(h) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal 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 current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the statement of loss and comprehensive loss.

(i) Share-based compensation

From time to time, the Company grants stock options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of stock options, measured using the Black-Scholes option pricing model at the date of grant, is charged to the statement of loss and comprehensive loss over the vesting period. Performance vesting conditions and forfeitures are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

Equity instruments granted to non-employees are recorded in the statement of loss and comprehensive loss at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for a share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are recorded in equity reserves until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in equity reserves is reclassified to share capital along with any consideration paid.

3. Significant accounting policies (continued)

(j) Flow-through common shares

Canadian income tax legislation permits companies to issue flow-through instruments whereby the income tax deductions generated by eligible expenditures of the Company, defined in the Income Tax Act (Canada) as qualified Canadian exploration expenses, are claimed by the investors rather than by the Company. Shares issued on a flow-through basis are typically sold at a premium above the market share price which relates to the tax benefits that will flow through to the investors. The Company often issues flow-through shares as part of its equity financing transactions in order to fund its exploration activities. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the flow-through share price over the market share price of the common shares without the flow-through feature at the time of subscription. The premium is recorded as a liability which represents the Company's obligation to spend the flow-through funds on eligible expenditures and is amortized through the statement of loss as the eligible expenditures are incurred.

(k) Income taxes

Income tax reported in the statement of loss and comprehensive loss for the period presented comprises current and deferred income tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or recoverable with regards to previous periods.

Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(l) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

3. Significant accounting policies (continued)

(m) Leased assets

Lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, if this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Lessor

Lessor leases are classified as either operating leases or finance leases according to the substance of the contract. Leases transferring substantially all of the risks incidental to asset ownership are classified as finance leases, while all other leases are classified as operating leases. Subleases are classified as either operating or finance leases in reference to the ROU asset arising from the head lease.

Assets under finance lease are recognized in finance lease receivables at the value of the net investment in the lease. The net investment in the lease is measured at the net present value of the future amounts receivable, discounted using the interest rate implicit in the lease, if this rate cannot be readily determined, the Company uses its incremental borrowing rate. Finance income is recognized over the lease term in a pattern reflecting a consistent rate of return on the finance lease receivable.

ROU assets are included in property and equipment, and sublease receivables and the lease liability are presented as separate lines in the statement of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the statement of loss and comprehensive loss.

3. Significant accounting policies (continued)

(n) Financial instruments

The Company recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as FVTPL for which transaction costs are expensed in the period in which they are incurred.

<u>Amortized cost</u>

Financial assets that meet the following conditions are measured subsequently at amortized cost:

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

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost primarily include cash and deposits.

<u>Fair value through other comprehensive income ("FVTOCI")</u>

Financial assets that meet the following conditions are measured at FVTOCI:

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

The Company does not have any financial assets classified as FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

<u>Financial assets measured subsequently at fair value through profit or loss (“FVTPL”)</u>

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are

3. Significant accounting policies (continued)

(n) Financial instruments

not part of a designated hedging relationship. Fair value is determined in the manner described in note 15.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(o) Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

(p) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Financial assets that are classified as AFS will have unrealized gains and losses included in other comprehensive loss until the asset is sold, permanently impaired, or derecognized.

(Expressed in Canadian dollars, unless otherwise stated)

4. Cash and cash equivalents

	2019	2018
	$	$
Components of cash and cash equivalents		
Cash	**2,294,731**	1,007,117
Cash equivalents	**1,807,820**	1,779,223
	4,102,551	2,786,340

As at December 31, 2019, the Company had the obligation to spend approximately $2,894,514 (approximately $1,125,108 as at December 31, 2018) in exploration expenditures related to flow-through share issuances by December 31, 2020.

5. Property and equipment

	Right of use assets	Camp equipment	Computer equipment	Office furniture	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, December 31, 2017	—	71,175	112,981	35,247	89,851	309,254
Additions	—	—	13,334	—	17,935	31,269
Disposals	—	—	—	(18,033)	—	(18,033)
Balance, December 31, 2018	—	71,175	126,315	17,214	107,786	322,490
Adjustment on initial application of IFRS 16 (Note 2)	983,591	—	—	—	—	983,591
Additions	—	31,246	—	—	—	31,246
Disposals	(255,947)	(16,546)	—	(5,330)	(7,746)	(285,569)
Balance, December 31, 2019	**727,644**	**85,875**	**126,315**	**11,884**	**100,040**	**1,051,758**
Accumulated depreciation						
Balance, December 31, 2017	—	3,559	34,592	4,495	—	42,646
Depreciation	-	14,235	36,826	5,740	32,423	89,224
Disposals	—	—	—	(2,705)	—	(2,705)
Balance, December 31, 2018	—	17,794	71,418	7,530	32,423	129,165
Depreciation	323,991	14,529	39,048	3,961	33,347	414,876
Disposals	(44,025)	—	—	(2,576)	(774)	(47,375)
Balance, December 31, 2019	**279,966**	**32,323**	**110,466**	**8,915**	**64,996**	**496,666**
Net book value						
December 31, 2018	—	53,381	54,897	9,684	75,363	193,325
December 31, 2019	**447,678**	**53,552**	**15,849**	**2,969**	**35,044**	**555,092**

(Expressed in Canadian dollars, unless otherwise stated)

6. Douay Gold Project

The accumulated exploration and evaluation expenses, which have been incurred, are as follows:

	2019	2018
	$	$
Camp set up, camp costs and field supplies	**266,805**	1,529,237
Depreciation	**256,488**	—
Drilling and core assaying	**787,510**	3,467,828
Equipment rental and fuel	**53,488**	280,655
Engineering	**—**	35,109
Environmental	**3,762**	8,667
Geology and technical reports	**238,578**	174,765
Geophysics	**129,428**	—
Licenses and permits	**34,682**	42,177
Other exploration support costs	**69,939**	134,169
Salaries and benefits	**691,082**	1,328,297
Share-based payments	**58,271**	41,591
Site reclamation	**—**	—
	2,590,033	7,042,495
Mineral exploration tax credits	**(399,966)**	(2,321,289)
Recoveries from JV partners	**(34,687)**	(382,192)
	2,155,380	4,339,014
Opening accumulated expenses	**43,484,613**	39,145,599
Closing accumulated expenses	**45,639,993**	43,484,613

The Company recognizes a provision for site reclamation and closure, which reflects the present value of the estimated amount of cash flows required to satisfy the site reclamation and closure obligation in respect of the Douay Gold Project. The components of this obligation are the removal of buildings and hoist equipment at the site as well as costs associated with the reclamation of the camp housing and work sites on the property. The estimate of future site reclamation obligation is subject to change based on amendments to applicable laws, management's intentions, and mining lease renewals.

The present value of future estimated cash flows required to settle the site reclamation and closure obligation was estimated at $50,384. The key assumptions on which this estimate is based are:

- Undiscounted cash flow for site reclamation of $50,000 ($50,000 in 2018)
- Expected timing of future cash flows is based on mining leases expiration, which is in various months in 2020.
- Annual inflation rate 1.83% (2018 – 1.93%).
- Risk-free interest rate 1.69% (2018 – 1.86%).

(Expressed in Canadian dollars, unless otherwise stated)

7. Flow-through share premium liability

	2019	2018
	$	$
Balance, beginning of year	**254,750**	1,475,434
Flow-through share premium liability at issuance (i) (ii) (iii)	**938,500**	583,331
Amortization of flow-through share premium	**(392,822)**	(1,804,015)
Balance, end of year	**800,428**	254,750

(i) On December 23, 2019, the Company completed a non-brokered private placement for gross proceeds of $1,218,000 through the issuance of 8,700,000 flow-through shares at a price of $0.14 per flow-through share (note 10(b)(iii)). The flow-through shares were issued at a premium of $0.055 per flow-through share, with the total flow-through share premium liability related to the 8,700,000 flow-through shares issued being $478,500, representing the Company's obligation to spend the $1,218,000 on eligible expenditures, which the Company expects to complete during the year ending December 31, 2020. As of December 31, 2019, $nil eligible expenditures has been incurred and the liability remains unamortized.

(ii) On March 26, 2019, the Company completed a non-brokered private placement for gross proceeds of $2,300,000 through the issuance of 18,400,000 flow-through shares at a price of $0.125 per flow-through share (note 10(b)(i)). The flow-through shares were issued at a premium of $0.025 per flow-through share, with the total flow-through share premium liability related to the 18,400,000 flow-through shares issued being $460,000, representing the Company's obligation to spend the $2,300,000 on eligible expenditures, which the Company expects to complete during the year ending December 31, 2020. As of December 31, 2019, approximately $690,361 of eligible expenditures has been incurred, of which $623,486 has been paid, and the liability has been amortized accordingly.

(iii) On June 1, 2018, the Company completed a non-brokered private placement for gross proceeds of approximately $2,499,990 through the issuance of 8,333,300 flow-through shares at a price of $0.30 per flow-through share. The flow-through shares were issued at a premium of $0.07 per flow-through share, with the total flow-through share premium liability related to the 8,333,300 flow-through shares issued being $583,331, representing the Company's obligation to spend the $2,499,990 on eligible expenditures. The liability has been fully amortized as of December 31, 2019.

(iv) On June 26, 2017 and July 14, 2017, the Company completed a brokered private placement for gross proceeds of approximately $6,000,001 through the issuance of 14,634,150 flow-through shares at a price of $0.47 per flow-through share. The flow-through shares were issued at a premium of $0.16 per flow-through share, with the total flow-through share premium liability related to the 14,634,150 flow-through shares issued being $2,341,464 representing the Company's obligation to spend the $6,000,001 on eligible expenditures. The liability has been fully amortized as of December 31, 2018.

8. Payable to Revenu Quebec

Revenu Quebec has conducted audits of the Company's mineral exploration tax credit filings for the 2011 to 2018 tax years. Revenu Quebec has disallowed certain amounts that the Company believes are claimable qualifying expenditures. The Company intends to defend its filing positions and the Company has filed notice of objections with Revenu Quebec's Appeals Division for each of the years 2011 to 2014.

(Expressed in Canadian dollars, unless otherwise stated)

9. Leases

(a) Sublease receivables

	2019 $
Balance, beginning of year	—
Sublease receivables recognized on adoption of IFRS 16	**1,027,983**
Lease payments received	**(337,948)**
Interest income on sublease receivables	**129,211**
Sublease additions	**105,833**
Sublease terminations	**(761,728)**
	163,351
Less: current portion	**(163,351)**
Balance, end of year	—

x

	2019 $
Balance, beginning of year	—
Lease liabilities recognized on adoption of IFRS 16	**2,011,574**
Lease payments made	**(823,210)**
Interest expense on lease liabilities	**276,296**
Lease termination	**(880,101)**
	584,559
Less: current portion	**(404,957)**
Balance, end of year	**179,602**

10. Share capital and reserves

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Year ended December 31, 2019

(i) On March 26, 2019, the Company closed a non-brokered private placement of 18,400,000 flow through common shares at a price of $0.125 per share for gross proceeds of $2,300,000. In connection with the flow-through share placement, the Company incurred a total of $23,464 in cash share issuance costs.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(b) Share issuances (continued)

Year ended December 31, 2019 (continued)

(i) (continued)

A reconciliation of the impact of the non brokered private placement on the common shares is as follows:

	Number of common shares #	Amount $
Private placement – flow–through shares	18,400,000	2,300,000
Share issuance costs	—	(23,464)
	18,400,000	2,276,536
Flow–through share premium liability (Note 7)	—	(460,000)
	18,400,000	**1,816,536**

(ii) On April 8, 2019, the Company issued 568,182 common shares at a price of $0.11 per common share in settlement of certain outstanding obligations.

(iii) On December 23, 2019, the Company closed a non-brokered private placement of 8,700,000 flow through common shares at a price of $0.14 per flow through common share and 3,050,000 common shares at a price of $0.08 per common share for gross proceeds of $1,462,000. In connection with the common share placement, the Company incurred a total of $10,838 in cash share issuance costs.

A reconciliation of the impact of the non brokered private placement on the common shares is as follows:

	Number of common shares #	Amount $
Private placement – flow–through shares	8,700,000	1,218,000
Private placement – common shares	3,050,000	244,000
Share issuance costs	—	(10,838)
	11,750,000	1,451,162
Flow–through share premium liability (Note 7)	—	(478,500)
	11,750,000	**972,662**

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(b) Share issuances (continued)

Year ended December 31, 2018

(iv) On April 11, 2018, the Company closed a non-brokered private placement of 16,458,334 common shares at a price of $0.24 per share for gross proceeds of $3,950,000. In connection with the placement, the Company incurred a total of $257,991 in cash share issuance costs.

On June 1, 2018, the Company closed a non-brokered private placement of 8,333,300 flow through common shares at a price of $0.30 per share for gross proceeds of $2,499,990. In connection with the flow-through share placement, the Company incurred a total of $133,249 in cash share issuance costs, inclusive of $119,990 in finders' fees. In addition, 399,998 broker warrants with an exercise price of $0.35 per common share and an expiry date of December 1, 2019 were issued.

The fair value of the 399,998 broker warrants was estimated, using the Black-Scholes option pricing model, to be $13,457 or $0.03 per warrant using the following assumptions: risk-free interest rate of 1.88%, expected dividend yield of nil, stock price volatility of 69%, expected life of the warrants – 1.5 years. The expected volatility assumption is based on the historical and implied volatility of the Company's common shares. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the stock options.

A reconciliation of the impact of the non-brokered private placement on the common shares is as follows:

	Number of common shares #	Amount $
Private placement – common shares	16,458,334	3,950,000
Private placement – flow–through shares	8,333,300	2,499,990
Share issuance costs	—	(391,240)
	24,791,634	6,058,750
Valuation of warrants issued (Note 9(d))	—	(13,457)
Flow–through share premium liability (Note 7)	—	(583,331)
	24,791,634	5,461,962

(c) Stock options

The Company maintains a Rolling Stock Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares at the time of the grant. The Company may grant stock options from time to time to its directors, officers, employees and other service providers. The stock options granted have vesting periods that range from two to three years.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(c) Stock options (continued)

The continuity of the number of stock options issued and outstanding is as follows:

	Number of Stock options #	Weighted average Exercise price $
Outstanding, December 31, 2017	15,735,000	0.24
Granted	450,000	0.30
Exercised	(872,500)	0.10
Expired	(1,110,000)	0.12
Cancelled/Forfeited	(3,957,500)	0.24
Outstanding, December 31, 2018	10,245,000	0.27
Granted	7,330,000	0.16
Cancelled/Forfeited	(5,895,000)	0.22
Outstanding, December 31, 2019	**11,680,000**	**0.23**

As at December 31, 2019, the number of stock options outstanding and exercisable was:

Expiry date	Number of options #	Exercise price $	Outstanding remaining contractual life (years)	Number of options #	Exercise price $	Exercisable remaining contractual life (years)
November 18, 2020	200,000	0.10	0.88	200,000	0.10	0.88
July 11, 2021	300,000	0.24	1.53	300,000	0.24	1.53
November 28, 2021	780,000	0.25	1.91	780,000	0.25	1.91
March 2, 2022	200,000	0.40	2.17	150,000	0.40	2.17
May 3, 2022	3,300,000	0.30	2.34	2,475,000	0.30	2.34
August 28, 2022	600,000	0.30	2.66	450,000	0.30	2.66
October 10, 2022	425,000	0.30	2.78	318,750	0.30	2.78
January 25, 2023	300,000	0.30	3.07	150,000	0.30	3.07
January 23, 2024	5,575,000	0.16	4.07	1,858,334	0.16	4.07
	11,680,000	0.23	3.14	6,682,084	0.20	2.75

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the year ended December 31, 2019, an amount of $375,606 ($444,263 in 2018) was expensed as stock based compensation.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(c) Stock options (continued)

The fair values of the share options granted in 2019 and 2018 were estimated using the Black-Scholes option valuation model with the following assumptions:

	2019 Option grants	2018 Option grants
Risk-free interest rate	**1.92%**	1.89%
Expected dividend yield	**nil**	nil
Stock price volatility	**78%**	70%
Expected life in years	**5**	5
Weighted average grant date fair value	**$0.06**	$0.16

The expected volatility assumption is based on the historical and implied volatility of the Company's common shares. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the stock options.

(d) Share purchase warrants

The continuity of the number of share purchase warrants is as follows:

	Warrants outstanding	Exercise price $
Outstanding, December 31, 2017	74,921,872	0.32
Issued	1,333,222	0.30
Exercised	(933,224)	0.15
Outstanding, December 31, 2018	75,321,870	0.32
Expired	(44,287,720)	0.27
Outstanding, December 31, 2019	**31,034,150**	**0.40**

As at December 31, 2019, all of the outstanding warrants expire on June 27, 2022.

11. General and administrative

	2019 $	2018 $
Business development	**169,769**	272,104
Depreciation	**158,388**	74,988
Directors' fees	**61,179**	122,072
Office and general	**135,730**	452,263
Professional fees	**251,992**	321,670
Regulatory transfer agent and shareholder information	**80,131**	161,960
Salaries and benefits	**429,977**	712,698
Share–based payments	**317,334**	402,672
Travel, marketing and investor relations	**225,204**	654,235
	1,829,704	3,174,662

(Expressed in Canadian dollars, unless otherwise stated)

12. Related party balances and transactions

Compensation of key management personnel

During the period, compensation to key management personnel was as follows:

	2019 $	2018 $
Salaries and benefits	**477,000**	431,000
Share-based payments	**263,306**	366,433
	740,306	797,433

13. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

14. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	2019 $	2018 $
Loss attributable to ordinary shareholders	**3,668,622**	5,681,912
Weighted average number of common shares	**223,594,588**	200,344,048
Basic and diluted loss per share	**0.02**	0.03

As at December 31, 2019, the Company had 11,680,000 share options (10,245,000 as at December 31, 2018) and 31,034,150 share purchase warrants (75,321,870 as at December 31, 2018) outstanding, all of which were anti-dilutive because the Company was in a loss position for the years ended December 31, 2019, and December 31, 2018.

15. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, deposits, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

- Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

15. Financial instruments (continued)

- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at December 31, 2019 and 2018 no financial instruments were measured at fair value.

No transfer occurred between the levels during the year.

The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks, which include currency risk and interest rate risk.

(a) Credit risk

Credit risk is the risk that a third party fails to discharge its obligations under the terms of the financial contract and causes a financial loss for the Company. The Company's credit risk is attributable to its cash and cash equivalents and deposits. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalent balances in highly rated Canadian financial institutions. The Company considers the risk of loss associated with cash and cash equivalents to be low.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within twelve months of the statement of financial position date.

(c) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Company is exposed are as follows:

(i) Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the Canadian dollar). As at December 31, 2019 and 2018 and throughout 2019 and 2018, the Company held immaterial balances in foreign currencies. Foreign currency risk is considered to be minimal.

(ii) Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's exposure to interest rate risks is limited to potential increases or decreases on the interest rate offered on cash and cash equivalents held at chartered Canadian financial institutions, which would result in higher or lower relative interest income. This risk is considered to be minimal.

(Expressed in Canadian dollars, unless otherwise stated)

16. Income taxes

(a) *Income tax recovery provision*

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	2019	2018
	$	$
Loss before income taxes	**3,668,622**	5,681,912
Canadian federal and provincial income tax rates	**26.6%**	26.5%
Expected income tax recovery	**(975,853)**	(1,505,707)
Increase (decrease) in income tax recovery resulting from		
Non-deductible exploration and evaluation expenses	**(45,645)**	(615,142)
Flow-through shares renunciation	**470,773**	1,452,782
Share-based compensation	**99,911**	117,730
Amortization of flow-through share premium	**(104,491)**	(478,064)
Share issuance costs	**(9,124)**	(103,679)
Other	**63,830**	(43,585)
True up of prior year balances	**155,550**	(150,552)
Increase in unrecognized tax asset	**345,049**	1,326,217
Income tax recovery	**—**	—

(b) *Unrecognized deferred tax assets*

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2019, the Company has not recognized the benefit of the following deductible temporary differences:

	2019	2018
	$	$
Non-capital losses carried forward	**13,815,003**	12,491,619
Capital carried forward	**135,319**	135,319
Exploration and valuation costs	**10,314,948**	10,261,534
Property and equipment	**—**	286,498
Share issuance costs	**494,837**	726,422
Lease liability	**584,559**	175,032
Site reclamation provision	**50,384**	50,384
	25,395,050	24,126,808

(c) *Tax losses*

The Company has accumulated non-capital losses of approximately $14,074,646 ($12,491,619 in December 31, 2018) in Canada, which may be carried forward to reduce taxable income of future years. The non-capital losses will, if unused, expire between 2030 and 2039.

17. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers the components of shareholders' equity to be its 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. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its project related expenditures. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.