TRIUMPH GOLD CORP.

(An Exploration Stage Corporation)

Consolidated Financial Statements
December 31, 2018 and 2017

(Expressed in Canadian dollars)

Crowe MacKay LLP
1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Triumph Gold Corp.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty 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 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
April 18, 2019

TRIUMPH GOLD CORP.
(An Exploration Stage Corporation)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	December 31, 2018	December 31, 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	225,782	2,894,602
Trade and other receivables	160,254	13,289
Prepayments and deposits	407,408	182,020
	793,444	3,089,911
Non-current assets		
Prepayments and deposits	100,000	-
Property and equipment (note 4)	12,910	16,243
Investment in equities (note 5)	1	1
Exploration and evaluation assets (note 6)	3,190,231	3,023,403
	3,303,142	3,039,647
Total assets	4,096,586	6,129,558
LIABILITIES		
Current liabilities		
Trade and other payables (note 9)	170,495	163,262
Deferred premium on flow-through shares (note 7)	-	145,500
	170,495	308,762
Non-current liabilities		
Reclamation provision (note 6)	50,000	25,000
Total liabilities	220,495	333,762
SHAREHOLDERS' EQUITY		
Share capital (note 7)	61,505,051	55,607,365
Reserve (note 7)	5,862,433	4,875,178
Deficit	(63,491,393)	(54,686,747)
	3,876,091	5,795,796
Total shareholders' equity and liabilities	4,096,586	6,129,558

Nature and continuance of operations (note 1)
Commitments and contingency (note 8)

Approved on behalf of the board:

"John Anderson"	" Paul Reynolds "
John Anderson	Paul Reynolds
Director	President and CEO

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

TRIUMPH GOLD CORP.
(An Exploration Stage Corporation)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the year ended	**December 31, 2018**	**December 31, 2017**
	$	**$**
Expenses		
Administrative expenses	284,092	191,387
Corporate communications	1,003,556	762,005
Depreciation (Note 4)	11,150	9,088
Exploration expenditures (note 6)	5,798,526	3,598,221
Flow-through share related tax	9,726	-
Listing and filing fees	29,242	17,836
Professional fees (note 9)	249,713	143,418
Property investigation	6,500	-
Share-based payments (notes 7 and 9)	987,255	1,082,589
Wages and salaries (note 9)	577,190	405,040
	(8,956,950)	(6,209,584)
Other items		
Interest and other income	6,804	39,344
Flow-through share premium reversal (note 7)	145,500	187,140
Recovery of prepayments and deposits	-	5,827
Total other items	152,304	232,311
Net and comprehensive loss for the year	(8,804,646)	(5,977,273)
Loss per share - basic and diluted	**($0.12)**	**($0.10)**
Weighted average number of shares outstanding - basic and diluted	**71,410,589**	**58,440,082**

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

TRIUMPH GOLD CORP.
(An Exploration Stage Corporation)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance, December 31, 2016	47,047,837	49,417,652	3,792,589	(48,709,474)	4,500,767
Shares issuance (note 7)	11,880,000	6,272,640	-	-	6,272,640
Share issue costs (note 7)	-	(43,357)	-	-	(43,357)
Flow-through share premium (note 7)	-	(332,640)	-	-	(332,640)
Warrants exercised (note 7)	3,139,700	293,070	-	-	293,070
Share-based payments (note 7)	-	-	1,082,589	-	1,082,589
Loss for the year	-	-	-	(5,977,273)	(5,977,273)
Balance, December 31, 2017	62,067,537	55,607,365	4,875,178	(54,686,747)	5,795,796
Shares issuance (note 7)	14,641,101	5,124,386	-	-	5,124,386
Share issue costs (note 7)	-	(72,600)	-	-	(72,600)
Warrants exercised (note 7)	4,571,500	845,900	-	-	845,900
Share-based payments (note 7)	-	-	987,255	-	987,255
Loss for the year	-	-	-	(8,804,646)	(8,804,646)
Balance, December 31, 2018	81,280,138	61,505,051	5,862,433	(63,491,393)	3,876,091

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

TRIUMPH GOLD CORP.
(An Exploration Stage Corporation)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the year ended	**December 31, 2018**	**December 31, 2017**
	$	**$**
Cash flows from operating activities		
Loss for the year	(8,804,646)	(5,977,273)
Items not involving cash		
Flow-through share premium reversal	(145,500)	(187,140)
Depreciation	11,150	9,088
Reclamation provision	25,000	-
Share-based payments	987,255	1,082,589
	(7,926,741)	(5,072,736)
Change in non-cash working capital		
Trade and other receivables	(146,965)	19,575
Prepayments and deposits	(325,388)	107,076
Trade and other payables	7,233	58,518
	(8,391,861)	(4,887,567)
Cash flows from investing activities		
Acquisition of property and equipment	(7,817)	(12,519)
Acquisition of exploration and evaluation assets	(166,828)	(54,895)
	(174,645)	(67,414)
Cash flows from financing activities		
Proceeds on issuance of common shares, net	5,051,786	6,229,283
Exercise of warrants	845,900	293,070
	5,897,686	6,522,353
Change in cash and cash equivalents	(2,668,820)	1,567,372
Cash and cash equivalents, beginning of the year	2,894,602	1,327,230
Cash and cash equivalents, end of the year	225,782	2,894,602
Cash and cash equivalents consist of:		
Cash	206,159	132,719
Term deposit	19,623	2,761,883
	225,782	2,894,602
Cash paid for:		
Income taxes	-	-
Interest	-	-
	-	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Triumph Gold Corp. was incorporated under the Alberta Business Corporations Act on January 13, 2006 and was extra- provincially registered in British Columbia and the Yukon Territory. The Company is listed on the TSX Venture Exchange ("TSXV"), having the symbol "TIG". The Company's principal business activity is the exploration for mineral resources, primarily in the Yukon Territory, Canada.

The Company's corporate office and principal place of business is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada.

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there always exists uncertainty that causes significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. BASIS OF PREPARATION

Statement of compliance

These audited consolidated financial statements for the Company for the years ended December 31, 2018 and 2017 are prepared in accordance with the International Financial Reporting Standards (IFRS) which are issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were authorized for issue by the Board of Directors on April 18, 2019.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") which are stated at their fair value.

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

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

2. BASIS OF PREPARATION (continued)

Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant accounting estimates

a. The inputs used in accounting for share-based payments in profit or loss;
b. The estimated carrying value and impairment amount of each mineral property, determined by the recoverable amount of the asset;
c. The tax basis of assets and liabilities and related deferred income tax assets and liabilities; and
d. Amounts of provisions for environmental rehabilitation and restoration.

Significant accounting judgments

a. The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operation expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under circumstances; and
b. The assessment of indications of impairment of each mineral property.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bushmaster Exploration Services (2007) Ltd. All significant intercompany transactions and balances have been eliminated upon consolidation. The financial statements of the subsidiary are prepared using consistent accounting policies and reporting dates of the Company. The functional currency for the Company and its subsidiary is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

Exploration and evaluation assets ("E&E")

The Company's mineral interests comprise mineral property surface rights, mining titles, exploration licenses, exploitation permits and concession contracts. All direct costs related to the acquisition of mineral interests are capitalized and classified as intangible assets. All other E&E costs incurred prior to a decision to proceed with development are charged to profit and loss as incurred. When a decision to proceed with development is made, development costs subsequently incurred to develop a mine prior to the start of mining operations are capitalized and carried at cost.

Subsequent to entering production, acquisition costs and development expenditures are tested for impairment and then transferred to mineral interests within property and equipment. Mineral interests are classified as tangible assets and depreciated when such assets are put in use.

The Company assesses mineral interests for impairment when indicators of impairment are present and at least annually. When a project is deemed to no longer have commercially viable prospects to the Company, mineral interests in respect of that project are deemed to be impaired. As a result, those mineral interests, in excess of estimated recoveries, are written off and recognized in profit and loss.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration costs. Exploration and evaluation acquisition costs that are capitalized are included as part of cash flows from investing activities whereas exploration and evaluation expenditures that are expensed are included as part of cash flows from operating activities.

The Federal and Provincial taxation authorities provide Companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction to exploration expenditures in the period that the related expenditures are incurred. The accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the tax filing are amended.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item comprising property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the following annual rates, except in the year of acquisition when one-half of the rate is used:

Automotive	30%
Computer equipment	2 year straight line
Equipment	20%

An item comprising property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for separately. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Reclamation obligations

The Company recognizes liabilities for statutory, constructive or legal obligations associated with the reclamation of exploration and evaluation assets, or property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of statutory, legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is depreciated as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in profit or loss in the consolidated statement of loss and comprehensive loss for the period. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by using the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the reporting date and the related translation differences are recognized in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

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, share warrants, options and flow-through shares 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.

Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the period is disclosed separately as flow- through share proceeds, if any.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financing expense until qualifying expenditures are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

Earnings (loss) per common share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. As at December 31, 2018 there were 7,765,000 (2017 - 6,022,500) options and 24,590,831 (2017 - 21,841,781) warrants outstanding that were not included as their inclusion was anti- dilutive in nature.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions 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. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, 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 the 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 reflected in the reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve is credited to share capital, adjusted for any consideration paid.

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

The fair value of each option granted was calculated at the time of the grant by using the Black-Scholes Option Pricing Model based on historical volatility. Where options expire unexercised no adjustment is made to reserve.

Financial instruments

The Company adopted all the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date; therefore, comparative figures have not been restated.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/ liability	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Trade and other receivables	Loans and receivables	Amortized cost
Investment in equities	Available for sale	FVTPL
Trade and other payables	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

Expected Credit Loss Impairment Model

IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

New or revised accounting standards not yet adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize a lease obligation related to its lease commitment for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard: leases of low dollar value will continue to be expensed as incurred; and the Company will not apply any grandfathering practical expedients.

As at January 1, 2019 the Company expects to recognize a right-of-use asset and corresponding liability for its office lease. Furthermore, the Company expects a decrease in administrative expenses, an increase in depreciation expense (as the right-of-use asset is depreciated) and an increase in finance costs (due to accretion of the lease liability).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards not yet adopted (continued)

The adoption of the following standards and interpretations, which have been issued but are not yet effective, are not expected to have a material effect on the Company's future results and financial position:

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks. The Company does not intend to adopt the Amendments in its financial statements before the annual period beginning on January 1, 2020.

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective January 1, 2020.

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

	Automotive	Computer Equipment	Equipment	Total
	$	$	$	$
Cost				
Balance, December 31, 2016	107,242	-	68,047	175,289
Additions	-	12,519	-	12,519
Balance, December 31, 2017	107,242	12,519	68,047	187,808
Additions	-	7,817	-	7,817
Balance, December 31, 2018	107,242	20,336	68,047	195,625
Accumulated depreciation				
Balance, December 31, 2016	104,587	-	57,890	162,477
Depreciation	797	6,260	2,031	9,088
Balance, December 31, 2017	105,384	6,260	59,921	171,565
Depreciation	557	8,967	1,626	11,150
Balance, December 31, 2018	105,941	15,227	61,547	182,715
Net book value				
As at December 31, 2017	1,858	6,259	8,126	16,243
As at December 31, 2018	1,301	5,109	6,500	12,910

5. INVESTMENT IN EQUITIES

The Company holds securities that have been designated as FVTPL as follows:

	Cost	Fair Market Value
	$	$
Balance, December 31, 2016, 2017 and 2018		
150,000 common shares of Dawson Gold Corp.	380,000	1

The shares of Dawson Gold Corp. (“Dawson”) were halted on the TSXV. During the years ended December 31, 2018 and 2017, no trading occurred and the shares were delisted subsequent to year end.

For securities traded in an active market, market value is based on the quoted closing bid prices of the securities at the financial statement date. The fair value of these securities may differ from the quoted trading price due to market fluctuations and adjustment for quantities traded.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Canada			USA	
	Freegold Mountain	Other	Andalusite Peak	Burro Creek	Total
	$	$	$	$	$
Exploration and Evaluation Assets					
Balance, December 31, 2016	2,968,507	1	-	-	2,968,508
Additions	53,793	-	1,102	-	54,895
Balance, December 31, 2017	3,022,300	1	1,102	-	3,023,403
Additions	162,388	-	4,440	-	166,828
Balance, December 31, 2018	3,184,688	1	5,542	-	3,190,231
Current Exploration Expenditures					
Year ended December 31, 2017					
Administrative	6,684	-	-	-	6,684
Assaying	218,577	660	569	-	219,806
Camp costs	397,958	3,450	-	-	401,408
Drilling	1,570,935	-	-	-	1,570,935
Equipment and supplies	289,454	1,230	1,000	-	291,684
Exploration grant	(6,387)	-	-	-	(6,387)
Geological costs	183,142	-	-	-	183,142
Geophysical costs	850	-	-	-	850
Helicopter	7,942	7,629	3,562	-	19,133
Transportation and storage	75,775	1,018	1,320	-	78,113
Travel and accomodation	86,153	100	3,142	-	89,395
Wages and labour costs	730,427	4,780	8,251	-	743,458
Total	3,561,510	18,867	17,844	-	3,598,221
Year ended December 31, 2018					
Administrative	9,919	-	525	-	10,444
Assaying	431,260	-	1,563	-	432,823
Camp costs	523,226	-	86	-	523,312
Community relations	8,750	-	-	-	8,750
Drilling	2,513,898	-	-	-	2,513,898
Environmental	31,346	-	-	-	31,346
Equipment and supplies	348,793	-	1,000	-	349,793
Geological costs	362,419	-	200	-	362,619
Geophysical costs	146,225	-	-	-	146,225
Helicopter	-	-	903	-	903
Reclamation provision	25,000	-	-	-	25,000
Resource work	125,274	-	-	-	125,274
Transportation and storage	115,777	-	1,103	-	116,880
Travel and accomodation	102,650	-	3,227	-	105,877
Wages and labour costs	1,038,696	-	6,686	-	1,045,382
Total	5,783,233	-	15,293	-	5,798,526

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	Canada			USA	
	Freegold Mountain	Other	Andalusite Peak	Burro Creek	Total
	$	$	$	$	$
Cumulative Exploration Expenditures					
Administrative	678,160	-	525	99,413	778,098
Assaying	649,837	660	2,132	-	652,629
Camp costs	3,367,248	3,450	86	80,516	3,451,300
Community relations	8,750	-	-	-	8,750
Drilling costs	16,418,816	-	-	543,221	16,962,037
Environmental	31,346	-	-	-	31,346
Equipment and supplies	653,320	1,230	2,000	-	656,550
Exploration grant	(325,455)	-	-	-	(325,455)
Geological costs	5,216,675	39,227	200	241,895	5,497,997
Geophysical costs	1,433,742	-	-	-	1,433,742
Helicopter	7,942	7,629	4,465	-	20,036
Reclamation provision	25,000	-	-	-	25,000
Resource work	125,274	-	-	-	125,274
Transportation and storage	1,365,119	22,632	2,423	89,655	1,479,829
Travel and accomodation	743,406	100	6,369	36,114	785,989
Wages and labour costs	11,083,408	20,413	14,937	232,025	11,350,783
Total	41,482,588	95,341	33,137	1,322,839	42,933,905

Exploration and evaluation assets and related expenditures comprise:

Freegold Mountain, Canada

The Freegold Mountain project is comprised of the following exploration properties:

(i) Tinta Hill Property, Yukon

The Company holds a 100% interest in the Tinta Hill Property subject to an annual advanced royalty payment of $20,000 and a 3% Net Smelter Return ("NSR"). The advanced royalty payment will be netted against royalty interest payments after commencement of commercial production. As at December 31, 2018, total advanced royalty payment made was $40,000 (2017 – $20,000).

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $250,000 for the first 1% and $1,000,000 for the second 1%.

6. EXPLORATION AND EVALUATION ASSETS (continued)

(ii) Freegold Property, Yukon

The Company holds a 100% interest in the Freegold Property subject to an annual advanced royalty payment of $ 10,000 and a 3% NSR. The advanced royalty payment will be netted against royalty interest payments after commencement of commercial production.

As at December 31, 2018, total advanced royalty payment made was $20,000 (2017 – $10,000).

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $250,000 for the first 1% and $1,000,000 for the second 1%.

(iii) Goldstar Property, Yukon

The Company holds a 100% interest in the Goldstar Property subject to an advance payment of $ 10,000 and a 3% NSR. The advanced royalty payment will be netted against royalty interest payments after the commencement of commercial production. As at December 31, 2018, total advanced royalty payment made was $20,000 (2017 – $10,000).

Of the 3% NSR, the Company can elect to purchase 2% at a cost of $500,000 for the first 1% and $1,000,000 for the second 1%.

(iv) Golden Revenue Property, Yukon

The Company holds a 100% interest in the Golden Revenue Property subject to a 1% NSR in favour of ATAC Resources Ltd on that portion of the property which is not subject to an underlying royalty. There is a 2% underlying NSR on a portion of the property. A total of 75% of the underlying NSR (1.5% NSR) may be purchased at any time for $600,000. On June 13, 2018, the Company acquired the underlying NSR for a purchase price of $100,000, thereby conveying the exclusive right to be paid all future rights associated from the NSR to the Company.

During the year ended December 31, 2018, the Company recorded an additional $25,000 provision for a total of $50,000 (2017 - $25,000) for reclamation activity related to the Freegold Mountain project.

Other, Canada

(i) Tad/Toro Property, Yukon

The Company holds a 100% interest in the Tad/Toro Property subject to a 3% NSR, of which the first 1% may be purchased for $500,000 and a second 1% for $1,000,000.

(ii) Severance Property, Yukon

The Company holds a 100% interest in the Severance Property subject to a 3% NSR, of which 2% may be purchased for $1,500,000.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Other, Canada (continued)

(ii) Severance Property, Yukon (continued)

Due to the limitation of cash resources in previous years, the Company has been unable to explore other Yukon properties to the full extent and has written down the value of the properties to $1.

Andalusite Peak, British Columbia, Canada

The Company staked the Andalusite Peak Property and holds a 100% interest.

7. SHARE CAPITAL

Authorized:

Unlimited common shares with no par value

Unlimited preferred shares, the series rights and restrictions to be determined by the Board of Directors on issuance

Issued:

For the year ended December 31, 2018

On July 11, 2018, the Company completed a private placement of 14,641,101 units at a price of $0.35 per unit for gross proceeds of $5,124,386. Each unit is comprised of one common share of the Company and one-half share purchase warrant of the Company. Each full warrant is exercisable into an additional common share at a price of $0.55 per share until July 11, 2020. Finders' fees of $31,300 were paid in connection with the private placement. The Company also incurred additional share issue costs of $41,300.

During the year ended December 31, 2018, 4,571,500 warrants were exercised for total proceeds of $845,900.

For the year ended December 31, 2017

On March 2, 2017, the Company completed a private placement financing of 11,880,000 flow-through shares at a price of $0.528 per share for gross proceeds of $6,272,640. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of $332,640 that investors paid for the flow-through feature, which is recognized as a liability and; ii) share capital of $5,940,000. To December 31, 2017, the Company expended and renounced $3,528,918 in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to $145,500, recognizing a flow-through share premium reversal of $187,140. During the year ended December 31, 2018, the Company has incurred and renounced the remaining eligible exploration expenditures and, accordingly, the flow-through liability was reduced to $nil and a flow-through share premium reversal of $145,000 was recognized. The Company incurred share issue costs of $43,357.

During the year ended December 31, 2017, 3,139,700 warrants were exercised for total proceeds of $293,070.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Stock options:

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

A summary of outstanding stock options at December 31, 2018 is as follows:

Number of stock options outstanding	Exercise price	Expiry date	Number of stock options exercisable
	$		
5,540,000	0.40	July 30, 2022	4,205,000
325,000	0.40	December 20, 2022	325,000
1,900,000	0.40	July 20, 2023	475,000
7,765,000			5,005,000

Stock option transactions are summarized as follows:

	Number of stock options	Weighted average exercise price	Weighted average remaining life
		$	
December 31, 2016	492,000	1.00	1.16
Cancelled	(315,500)	(0.76)	
Expired	(144,000)	(1.00)	
Granted	5,990,000	0.40	
December 31, 2017	6,022,500	0.42	4.50
Cancelled	(102,500)	(1.00)	
Expired	(55,000)	(1.00)	
Granted	1,900,000	0.40	
December 31, 2018	7,765,000	0.40	3.84

On July 20, 2018, the Company granted 1,900,000 stock options to directors, officers, consultants and employees. The stock options are exercisable at $0.40 per share until July 20, 2023. These options vest as to 475,000 immediately, 475,000 on January 20, 2019, 475,000 on July 20, 2019 and 475,000 on January 20, 2020. The total fair value of $702,866 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 2.19%, share price on grant date of $0.44 and an expected volatility of 120.84%. The vesting of these options resulted in a share-based compensation expense of $444,172 being recorded during the year ended December 31, 2018.

The Company recorded a further $543,083 in share-based compensation relating to previously granted stock options which vested during the year ended December 31, 2018.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Stock options: (continued)

On July 30, 2017, the Company granted 5,665,000 stock options to directors, officers and consultants, of which 125,000 were subsequently cancelled. The stock options are exercisable at $0.40 per share until July 30, 2022. These options vest at a rate of 25% at each of July 30, 2017, January 31, 2018, July 31, 2018 and January 31, 2019. The total fair value was estimated to be $1,626,737 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 1.55%, share price on grant date of $0.39 and an expected volatility of 98.52%. The vesting of these options resulted in a share-based compensation expense of $1,035,436 being recorded during the year ended December 31, 2017. The remaining compensation of $591,301 will be recorded over the vesting period of the stock options.

On December 20, 2017, the Company granted 325,000 stock options to consultants. The stock options are exercisable at $0.40 per share until December 20, 2022. 300,000 of these options vest at a rate of 25% at each of June 20, 2018, December 20, 2018, and June 20, 2019. The total fair value of $47,153 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 1.80%, share price on grant date of $0.26 and an expected volatility of 79.18%.

Expected volatility is determined by reference to the Company's historical stock prices.

Warrants:

A summary of outstanding warrants at December 31, 2018 is as follows:

Number of warrants outstanding	Exercise price		Expiry date	Remaining life (years)
	$			
2,779,167	0.10	(1), (2)	April 5, 2019	0.26
9,011,114	0.09	(3), (4)	January 30, 2020	1.08
7,320,550	0.55		July 11, 2020	1.53
4,680,000	0.35		November 9, 2020	1.86
800,000	0.35		November 21, 2020	1.89
24,590,831				

(1) In the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.25 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 50% of the warrants outstanding to 20 calendar days from the date of notice; and in the event that the Company's common shares trade at a 20-day volume-weighted average trading price of $0.40 or greater on the TSXV at any time one year after the closing date, the Company may accelerate the expiry date of 100% of the warrants outstanding to 20 calendar days from the date of notice.

(2) Subsequent to year end, 2,779,166 warrants were exercised for proceeds of $277,916. The remaining 1 warrant expired, unexercised.

(3) In the event that the Company's common shares trade at a 10-day-volume-weighted-average trading price of $0.25 or greater on the TSXV at any given time six months after the closing date, the Company may accelerate the expiry date of the warrants outstanding by giving notice to the holders thereof, and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

(4) Subsequent to year end, 420,000 warrants were exercised for proceeds of $37,800.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Warrants: (continued)

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
		$	
December 31, 2016	24,981,481	0.17	3.14
Exercised	(3,139,700)	(0.09)	
December 31, 2017	21,841,781	0.18	2.19
Granted	7,320,550	0.55	
Exercised	(4,571,500)	(0.19)	
December 31, 2018	24,590,831	0.29	1.30

Reserve:

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. Any fair value attributed to the warrants is recorded in the reserve. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

8. COMMITMENTS AND CONTINGENCY

a) As of December 31, 2018, the Company has $19,623 (2017 – $19,610) in term deposits with a Canadian financial institution for the guarantee of business credit cards.

b) On July 10, 2018, the Company entered into a sublease agreement that provides for a base rent of $5,175 per month, commencing September 1, 2018 to August 31, 2020. Future minimum lease payments are as follows:

	Total
	$
2019	62,100
2020	41,400
	103,500

c) The Company has included in officers' employment agreements a change in control clause that entitles them to a lump sum severance payment equal to 1.5 to 2.0 times their annual base salaries.

d) Under the terms of the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company. The claims covered by such indemnifications are subject to statutory and other legal limitation periods.

9. RELATED PARTY TRANSACTIONS

The Company had the following transactions involving key management during the year ended December 31, 2018:

(i) A former officer of the Company provided accounting services to the Company. Professional fees incurred during the year were $nil (2017 – $40,000). At December 31, 2018, this officer was owed $nil (2017 – $nil).

(ii) An officer of the Company provides accounting services to the Company. Professional fees incurred during the year were $48,000 (2017 - $16,000). At December 31, 2018, this officer was owed $4,200 (2017 - $4,200).

(iii) Westview Consulting Ltd., a company controlled by the President and CEO of the Company, provided management and geological services during the year. Consulting fees incurred during the year were $110,000 (2017 – $120,000) of which $60,000 (2017 - $60,000) was recorded in exploration expenditures the remainder was recorded in wages and salaries. At December 31, 2018, this company was owed $nil (2017 – $10,500).

(iv) Purplefish Capital Limited, a company controlled by a director of the Company, provided consulting services to the Company. Consulting fees incurred during the year were $100,000 (2017 – $125,452) and were recorded in wages and salaries.

(v) Wages and salaries of $466,040 (2017 – $358,136) were paid to directors and officers of the Company, of which $196,244 was recorded in exploration expenditures and the remainder was recorded in wages and salaries.

(vi) OMC Services Ltd., a company controlled by a former officer of the Company, provided consulting services to the Company. Professional fees incurred during the year were $nil (2017 – $550).

(vii) Directors of the Company were paid consulting fees of $100,000 (2017 – $77,500) and were recorded in wages and salaries. At December 31, 2018, the directors were owed $50,000 (2017 - $77,500).

(viii) Recorded $644,674 (2017 - $816,599) in share-based payments, for stock options granted and vested, to officers and directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to/from the related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

10. SEGMENTED INFORMATION

The Company operates in one operating segment, that being exploration of mineral properties. All of the Company's assets are located in Canada.

11. CAPITAL MANAGEMENT

The Company includes cash and cash equivalents and equity, comprising issued common shares, reserve and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper. Other receivables are comprised primarily of tax receivables generated on the purchase of supplies and services for the Company's exploration programs, which are refundable from the Canadian government. The Company's maximum exposure to credit risk is the carrying amount of financial assets on the consolidated statements of financial position.

Liquidity Risk – The Company's cash and cash equivalents are invested in business accounts with high-credit quality financial institutions which are available on demand for the Company's programs. Future operations or exploration programs will require additional financing primarily through equity markets.

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

12. FINANCIAL INSTRUMENTS (continued)

Interest rate risk – In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on cash and cash equivalents and term deposits. Every 1% fluctuation in interest rates up or down would have an insignificant impact on profit or loss.

Foreign currency risk - The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk and has no financial instruments held in United States funds. Therefore, foreign currency risk is minimized.

Commodity price risk – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand. Price risk to which the Company is exposed include its investment in equities which is comprised of shares held in Dawson, which are designated as FVTPL and listed on the TSXV. A $0.01 change in the quoted share price would change the fair value of the investments by approximately $1,500. The change would be recorded in profit or loss.

Fair Value - The Company has various financial instruments comprised of cash and cash equivalents, trade and other receivables, investment in equities and trade and other payables.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2018				
Assets:				
Cash and cash equivalents	225,782	-	-	225,782
Investment in equities	1	-	-	1
December 31, 2017				
Assets:				
Cash and cash equivalents	2,894,602	-	-	2,894,602
Investment in equities	1	-	-	1

(Expressed in Canadian dollars)

13. INCOME TAXES

As of December 31, 2018 and 2017, a reconciliation of the statutory tax rate to the average effective rate for the Company is as follows:

	2018	2017
	$	$
Loss before income tax	(8,804,646)	(5,977,273)
Statutory tax rate	27%	26%
Tax recovery at statutory rate	(2,377,254)	(1,554,091)
Non-deductible expenses	228,559	233,261
Renunciation of eligible expenditures	-	1,693,613
Effect of tax rate change	-	(431,083)
Tax benefits unrecognized	(2,148,695)	58,300
Income tax recovery	-	-

The component of the Company's deferred income tax asset is a result of the origination and reversal of temporary differences and is comprised of the following:

	2018	2017
	$	$
Mineral exploration properties	6,230,878	4,672,026
Non-capital losses carried forward	5,771,528	5,181,263
Share issue costs	30,333	20,915
Other	92,885	83,125
Unrecognized deferred tax assets	12,125,624	9,957,329
Net deferred income tax assets	(12,125,624)	(9,957,329)
Net deferred income tax assets	-	-

(Expressed in Canadian dollars)

13. INCOME TAXES (continued)

At December 31, 2018, the Company has non-capital losses of approximately $21,375,000 that may be carried forward to apply against future income taxes in Canada expiring as follows:

	Total
	$
2026	477,000
2027	1,574,000
2028	1,866,000
2029	2,012,000
2030	2,049,000
2031	3,099,000
2032	2,777,000
2033	1,221,000
2034	1,296,000
2035	381,000
2036	929,000
2037	1,508,000
2038	2,186,000
	21,375,000

As of December 31, 2018, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	2018	**2017**
	$	**$**
Undepreciated capital cost	116,930	109,113
Resource-related deductions	26,267,558	20,327,204
Undeducted share issue costs carried forward	112,346	77,461
	26,496,834	20,513,778

14. SUBSEQUENT EVENT

Subsequent to December 31, 2018, a total of 3,199,166 warrants were exercised for proceeds of $315,716 and 1 warrant expired unexercised. See note 7.