ETHOS GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(Stated in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Ethos Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Ethos Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, these consolidated 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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 Peter Maloff.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

June 15, 2020

ETHOS GOLD CORP.

Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(Stated in Canadian Dollars)

	Note		December 31, 2019		December 31, 2018
Assets					
Current assets:					
Cash and cash equivalents		$	3,009,935	$	7,644,983
Amounts receivable	5		463,367		92,366
Tax credits receivable	7		106,138		106,138
Investments	6		418,000		-
Prepaid expenses			87,453		44,771
Due from related parties	8		-		4,437
			4,084,893		7,892,695
Mineral interests	4		156,456		543,489
Bond	4c		20,000		-
Property, plant and equipment	8		68,971		-
		$	4,330,320	$	8,436,184
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	9	$	472,846	$	81,519
Due to related parties	12		2,234		12,900
Flow-through share premium	11 & 16		653,163		350,000
			1,128,243		444,419
Shareholders' Equity					
Share capital	11		26,297,828		24,763,936
Share option reserve	11		2,907,060		2,821,109
Share warrant reserve	11		3,106,347		3,119,377
Deficit			(29,109,158)		(22,712,657)
			3,202,077		7,991,765
		$	4,330,320	$	8,436,184

Nature of operations (Note 1)
Commitments and contingencies (Note 16)
Events after the reporting period (Note 19)

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

Approved by the Board of Directors and authorized for issue on June 15, 2020.

"Craig Roberts" Director "Hendrik Van Alphen" Director

ETHOS GOLD CORP.

Consolidated Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

	Note		2019		2018
Expenses					
Consulting	12	$	333,200	$	213,193
Exploration and project evaluation	4		5,014,661		497,656
Investor relations			367,094		13,187
Listing and filing fees			51,742		53,010
Office and administrative			50,971		38,388
Professional fees			265,716		107,689
Rent			20,364		36,864
Share-based compensation	11 & 12		111,505		334,768
Travel expenses			98,169		26,960
Amortization			197		-
Loss before the undernoted			(6,313,619)		(1,321,715)
Other income (expenses)					
Interest income			111,600		102,387
Interest expense	10		-		(3,267)
Indemnity expense on flow through shares	11		(109,498)		-
Other income from settlement of flow through	11		350,000		-
Change in fair value of investments	6		165,000		-
Write-down of mineral interests	4		(587,458)		(1)
Write-down of accounts receivable			(7,356)		-
Part XII.6 tax accrual	11		(15,386)		-
Foreign exchange (loss)/gain			10,216		1,685
Net loss and comprehensive loss for the year		$	(6,396,501)	$	(1,220,911)
Basic and diluted loss per share		$	(0.11)	$	(0.03)
Weighted average number of shares outstanding			56,442,318		47,666,203

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

ETHOS GOLD CORP.

Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

		Share Capital		Share Reserves			
	Note	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve	Deficit	Total
Balance, December 31, 2017		47,385,381	$ 23,104,436	$ 2,486,341	$ 3,065,932	$ (21,491,746)	$ 7,164,963
Private placement, net of issuance costs	11	7,000,000	1,960,000	-	-	-	1,960,000
Flow through share premium	11 & 16	-	(350,000)	-	-	-	(350,000)
Shares issued for mineral property	4 & 11	300,000	49,500	-	-	-	49,500
Warrants issued for mineral property	4 & 11	-	-	-	53,445	-	53,445
Share-based compensation	11	-	-	334,768	-	-	334,768
Net loss for the year		-	-	-	-	(1,220,911)	(1,220,911)
Balance, December 31, 2018		54,685,381	24,763,936	2,821,109	3,119,377	(22,712,657)	7,991,765
Private placement, net of issuance costs	11	7,656,632	1,975,251	-	-	-	1,975,251
Shares issued for mineral property	4 & 11	600,000	140,000	-	-	-	140,000
Flow through share premium	11 & 16	-	(653,163)	-	-	-	(653,163)
Exercise of stock options	11	275,000	46,250	-	-	-	46,250
Reallocation of reseve on exercise of stock options	11	-	25,554	(25,554)	-	-	-
Warrants issued for mineral property	4 & 11	-	-	-	(13,030)	-	(13,030)
Share-based compensation	11	-	-	111,505	-	-	111,505
Net loss for the year		-	-	-	-	(6,396,501)	(6,396,501)
Balance, December 31, 2019		63,217,013	$ 26,297,828	$ 2,907,060	$ 3,106,347	$ (29,109,158)	$ 3,202,077

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

ETHOS GOLD CORP.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Stated in Canadian Dollars)

		2019		2018
Operating activities				
Net loss for the year	$	(6,396,501)	$	(1,220,911)
Items not affecting cash:				
Amortization		197		-
Change in fair value of investments		(165,000)		-
Flow through income		(350,000)		-
Write-off of mineral interests		587,458		1
Share-based compensation		111,505		334,768
Changes in non-cash working capital components				
Amounts receivable		(371,001)		(60,326)
Due from related parties		4,437		(4,437)
Prepaid expenses		(42,682)		3,112
Tax credits receivable		-		(106,138)
Due to related party		(10,666)		(1,814)
Accounts payable and accrued liabilities		391,327		2,115
Note payable		-		(71,016)
Cash used in operating activities		(6,240,926)		(1,124,646)
Investing activities				
Acquistion of mineral properties		(73,455)		(254,332)
Acquistion of fixed assets		(69,168)		-
Bond		(20,000)		-
Investments		(253,000)		-
Cash used in investing activities		(415,623)		(254,332)
Financing activities				
Private placement, net of issuance costs		1,975,251		1,960,000
Proceeds on exercise of stock options		46,250		-
Cash provided by financing activities		2,021,501		1,960,000
Increase (Decrease) in cash and cash equivalents		(4,635,048)		581,022
Cash and cash equivalents, beginning of year		7,644,983		7,063,961
Cash and cash equivalents, end of year	$	3,009,935	$	7,644,983
Cash and cash equivalents consisted of				
Cash on deposit with a Canadian Senior Bank	$	2,969,844	$	7,604,941
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank		40,091		40,042
	$	3,009,935	$	7,644,983

Supplemental Cash Flow Information (Note 13)

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

1. NATURE OF OPERATIONS

Ethos Gold Corp. (the "Company" or "Ethos") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2009, it began trading on the TSX Venture Exchange ("TSX-V") as a Tier 2 company under the symbol ECC. Its registered office is located at 1430 – 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's principal business activities are the identification, exploration and development of economically viable mineral properties.

These consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business. The Company has sufficient working capital for the next twelve months.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including the comparative statements, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2019, with significant accounting policies as described in Note 3.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for assets classified as fair value through profit or loss which has been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned Canadian subsidiary 1088151 B.C. Ltd., and its 100% owned Mexican subsidiary Compañía Minera Roca Dorada, SA de CV ("Roca Dorada"). Subsidiaries are entities controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) <u>Accounting estimates and judgments</u>

The preparation of these consolidated financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Accounting estimates and judgments (continued)

The estimates and underlying assumptions are 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.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of amounts receivable, investments at fair value, recoverability of taxes receivable and carrying values of mineral interests and equipment, the fair value of options and warrants issued, and the fair value of reclamation obligations. Actual results may differ from those estimates.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include functional currency determinizations.

(b) Reporting and functional currencies

The Company's reporting currency and the functional currency of all of its operations, including that of its subsidiaries, is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(d) Mineral interests

Mineral interests are recorded at cost less accumulated impairment losses. All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. Upon commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Equipment

Equipment is recorded at cost and amortized over its estimated useful life. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

Buildings	2%

(f) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(g) 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 benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts.

(i) Share capital

Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through shares
The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. 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 i) 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 ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. 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 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 financial expense until paid.

(j) Income recognition

Interest from cash and short-term investments is recorded on an accrual basis when collection is reasonably assured.

(k) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. At present, the Company has no other comprehensive income or loss.

(l) Share-based payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the year, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

(n) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the years presented as including them would have been anti-dilutive.

(o) Financial instruments

Financial instruments
The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents is classified and measured at amortized cost.

Amounts receivable, accounts payable and accrued liabilities, and due to related parties
Amounts receivable, accounts payable and accrued liabilities, and due to related parties are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Amounts receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities, notes payable and due to related parties are classified as financial liabilities measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Debt
The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used. Debt required to be classified as FVTPL is measured at fair value on each financial period-end date with gains and losses flowing through the consolidated statement of loss. For debt that is optionally classified as FVTPL, the part of the fair value change related to the Company's own credit risk is recorded in OCI rather than the consolidated statement of loss.

Impairment of financial assets
At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, we measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets
Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

(p) Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act and a refundable tax credit for resources under the Quebec Income Tax Act. Those credits are calculated on qualified exploration expenditures incurred in the province of Quebec. Those credits are accounted for using the cost reduction method. Accordingly, they are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has compiled with all the conditions related to those credits and that those credits will be received.

The Company is entitled to the British Columbia Mineral Exploration Tax Credit ("BCMETC") relating to qualifying exploration expenses incurred in the province of British Columbia. Accordingly, BCMETC's are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has compiled with all the conditions related to those credits and that those credits will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Adoption of new accounting policies

The Company applied the accounting pronouncement IFRS 16 effective January 1, 2019, the nature and effect of which are described below.

IFRS 16 – Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - The Company has the right to operate the asset; or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Adoption of new accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

fixed payments, including in-substance fixed payments;
variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
amounts expected to be payable under a residual value guarantee; and
the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office space that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact of transition to IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach and, accordingly, the comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company elected to apply the new definition of a lease to all its contracts.
The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term.

There were no leases classified as finance leases at transition.

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS

	La Purisima (a)	Pine Pass (b)	Perk-Rocky (c)	Ligneris (d)	WC Property (f)	Total
Balance, December 31, 2017	$ 186,212	$ -	$ -	$ -	$ 1	$ 186,213
Acquisition costs	243,125	114,152	-	-	-	357,277
Write down	-	-	-	-	(1)	(1)
Balance, December 31, 2018	429,337	114,152	-	-	-	543,489
Acquisition costs	20,033	57,000	103,000	53,455	-	233,488
Written down	(449,370)	(171,151)	-	-	-	(620,521)
Balance, December 31, 2019	$ -	$ 1	$ 103,000	$ 53,455	$ -	$ 156,456

During the year ended December 31, 2019 the Company incurred the following exploration expenses:

	La Purisima (a)	Pine Pass (b)	Perk-Rocky (c)	Ligneris (d)	Iron Point (e)	Other	Total
Geological consulting	$ 303,217	$ 64,029	$ 318,330	$ 348,098	$ 118,618	$ 26,794	$ 1,179,086
Drilling	279,255	-	-	700,148	1,338,866	-	2,318,269
Assays	2,064	19,635	38,768	49,622	153,839	2,649	266,577
Resource modelling	-	6,414	-	74,676			81,090
Geophysics	-	-	183,858	299,330			483,188
Metallurgy	-	47,868	516	-	-	-	48,384
Environmental	-	12,473	31,565	7,498			51,536
Field equipment	28,355	487	12,306	5,042	-		46,190
Camp costs	14,459	-	1,701	24,918	-	-	41,078
Travel	19,991	29,730	109,372	94,351	3,045	1,922	258,411
Administration	-	368	685	129,483	-	-	130,536
Annual property maintenance	-	-	-	-	80,965	-	80,965
Concession taxes	29,351	-	-	-	-	-	29,351
	$ 676,692	$ 181,004	$ 697,101	$ 1,733,166	$ 1,695,333	$ 31,365	$ 5,014,661

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

During the year ended December 31, 2018 the Company incurred the following exploration expenses:

	La Purisima (a)	Pine Pass (b)	Total
Geological consulting	$ 178,376	$ 215,128	$ 393,504
Assays	22,471	19,397	41,868
Field costs	-	17,624	17,624
Camp costs	-	54,788	54,788
Transportation	-	36,019	36,019
Supplies	-	10,836	10,836
Concession taxes	26,644	-	26,644
Surface access	22,511	-	22,511
BCMETC	-	(106,138)	(106,138)
	$ 250,002	$ 247,654	$ 497,656

a) La Purisima, Mexico

i. On November 24, 2017, the Company, through its wholly owned Mexican subsidiary, Compañía Minera Roca Dorada, S.A. de C.V., entered into an option to purchase agreement whereby the Company owns the right to acquire a 100% interest in the La Purisima project, located in Chihuahua, Mexico. Pursuant to the option purchase agreement, the Company can exercise the option to acquire 100% of the La Purisima project by making cash payments totaling US$3,495,000; issuing 3,000,000 common shares of the Company over a 72-month period (as set out in the table below) and on exercising the option grants a 2% net smelter returns royalty of which 1% can be repurchased for US$1 million. The Company was obligated to pay outstanding mining duties of 1,025,614 Mexican Pesos on signing (paid - $71,016) (Note 10) and incurred legal fees of $37,712.

	Cash	**Shares**
On date of signing	US$45,000 (paid - $67,484)	50,000 (issued - $10,000)
12 months from the date of signing	US$100,000 (paid - $134,990)	100,000 (issued - $21,500)
24 months from the date of signing	US$250,000	250,000
36 months from the date of signing	US$350,000	350,000
48 months from the date of signing	US$500,000	500,000
60 months from the date of signing	US$750,000	750,000
72 months from the date of signing	US$1,500,000	1,000,000

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

a) La Purisima, Mexico (continued)

ii. On August 24, 2018, the Company, through its wholly owned Mexican subsidiary, Roca Dorada, entered into an option to purchase agreement whereby the Company owns the right to acquire a 100% interest in 897 hectares of mineral concessions contiguous to the Company's La Purisima project, located in Chihuahua, Mexico. The Company, at its sole election, can exercise its option to earn its' 100% interest in the property at any time during the 10 years following the closing of the option agreement by paying the vendor US$550,000.

To retain its right to acquire a 100% interest in the contiguous concessions the Company must make advance net smelter returns royalty ("NSR") payments to the vendor as follows:

	Cash
On closing	US$25,000 - paid
On the first anniversary of closing	US$35,000
On the second anniversary of closing	US$35,000
On the third anniversary of closing and every subsequent year thereafter until commercial production has commenced	US$50,000

In addition to the cash payments, the Company issued 1,500,000 share purchase warrants entitling the vendor to acquire 1,500,000 common shares of the Company at a price of $0.15 per share. The warrants will be exercisable for a period of five years, vesting as follows: 500,000 on closing (fully vested); 500,000 eighteen months after closing; 500,000 thirty-six months after closing. The second and third tranches of warrants will only vest if the Company has not terminated the option agreement prior to their vesting dates.

Upon closing, the Company paid US$5,500 in outstanding concession taxes. During the term of the option agreement, the Company must keep the concession in good standing by paying the annual concession taxes.

Upon exercising the option, the Company will grant the vendor a 2.0% NSR on the property, of which half can be repurchased at any time by the Company by paying the vendor US$1,000,000.

As at December 31, 2019, $20,033 (2018 - $53,445) is included in mineral property acquisition costs relating to the vested warrants.

During the year ended December 31, 2019, the Company provided termination notices to the vendors of the La Purisima concessions and wrote down $449,370 in acquisition costs, which is included in write down of mineral interest in the statement of loss and comprehensive loss. Upon termination, $33,063 relating to the 1,000,000 warrants that were cancelled prior to vesting was reallocated from write down of mineral interest to warrant reserve.

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

b) Pine Pass Project, British Columbia

On July 31, 2018, the Company entered into an option agreement to acquire a 100% interest in three vanadium projects (Pine Pass, Ursula and Tunnel) in north eastern British Columbia. The Company can earn a 100% interest in the three projects by making the following cash payments and share issuances:

	Cash	**Shares**
Within five days of TSX Venture acceptance	$80,000 (paid)	200,000 (issued)
On the first anniversary	$120,000	400,000
On the second anniversary	$160,000	600,000
On the third anniversary	$240,000	800,000
On the fourth anniversary	$400,000	1,000,000

If the Company completes the 100% acquisition of the three properties by making the above cash payments and share issuances the Company will grant to the vendors a 2.0% NSR royalty on all three projects, of which half can be repurchased at any time by the Company by paying the vendors $1,500,000.

During the year ended December 31, 2019, the company did not renew the Tunnel project.

On June 20, 2019, the area in which the Pine Pass Project is located became subject to a moratorium on resource development (the "Moratorium") imposed by the Province of British Columbia in connection with caribou protection strategies.

On July 31, 2019, the Company entered in an amended option agreement (the "Addendum") with the vendors whereby the previous cash payments and share issuances are suspended indefinitely, pending the lifting of the Moratorium. The Moratorium will be deemed to have been lifted when the Company is no longer restricted by the Moratorium from carrying out exploration and development activities on the Pine Pass Project (the "Reinstatement Date"). Per the Addendum, to maintain the option agreement in good standing, the Company must make the following cash payments and share issuances:

	Cash	**Shares**
Within five days of TSX Venture acceptance of the Addendum	$30,000 (paid)	100,000 (issued)
On July 31, 2020 (the "Second Interim Payment")	$30,000*	100,000*
If the Reinstatement Date falls on or before July 31, 2020	$90,000*	300,000*
If the Reinstatement Date falls after July 31, 2020	$60,000	200,000
On the first anniversary of the Reinstatement Date	$160,000	600,000
On the second anniversary of the Reinstatement Date	$240,000	800,000
On the third anniversary of the Reinstatement Date	$400,000	1,000,000

* In the event the Moratorium is lifted on or prior to July 31, 2020, the Second Interim Payment would not be required in addition to the payment of $90,000 and 300,000 share issuance as the Second Interim Payment is factored into the $90,000 cash payment and 300,000 share issuance.

In addition to the above cash payments and shares issuance, by the fourth anniversary of the Reinstatement Date, the Company will conduct and complete a PEA in respect of any one of the properties (Pine Pass or Ursula).

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

b) Pine Pass Project, British Columbia (continued)

The Company will be making reasonable efforts to pursue any entitlement to compensation arising in connection with the Moratorium. In the event the Company is successful in recouping compensation, the Company shall first recover its costs and expenses incurred during this process with any remaining proceeds to be split evenly between the Company and the vendors.

Due to the uncertainty of the Moratorium, the Company wrote down the carry value of the Pine Pass project to $1 at December 31, 2019. As a result, $171,151 is included in write-down of mineral interest in the statement of loss and comprehensive loss.

c) Perk-Rocky Project, British Columbia

On May 10, 2019, the Company entered into an option agreement to acquire a 100% interest in the Perk-Rocky project located 225km west of Williams Lake, British Columbia. The Company can earn a 100% interest in the Perk-Rocky Project by incurring exploration expenses totaling $350,000 on or prior to the first anniversary of the agreement and by making $690,000 in cash payments and issuing 2,900,000 common shares of the Company as follows:

	Cash	Shares
Within five days of the execution date	$10,000 (paid)	-
Within five days of TSX Venture acceptance	$30,000 (paid)	300,000 (issued $63,000)
On the first anniversary	$75,000*	450,000*
On the second anniversary	$175,000	700,000
On the third anniversary	$400,000	1,450,000

*Subsequent to December 31, 2019 the Company issued 450,000 common shares and paid $75,000 to the vendors of the Perk-Rocky property.

The Company must make US$3,850,000 in milestone payments, which are due within 30 days of the Company reaching each milestone as described below:

- US$350,000 in the event the Company obtains a technical report that is NI 41-101 compliant.
- US$500,000 in the event the Company obtains a Preliminary Economic Assessment.
- US$1,000,000 in the event the Company obtains a Feasibility Study.
- US$2,000,000 in the event the Company elects to put the property into commercial production.

Upon acquiring 100% interest in the property, the Company will grant the vendor a 3% NSR. The Company may repurchase 2% of the NSR for US$7 million.

As at December 31, 2019, $697,101 (2018 - $nil) in qualifying exploration expenses is included in the statement of loss and comprehensive loss.

As at December 31, 2019, the Company had advanced a $20,000 (2018 - $nil) bond to the Government of British Columbia related to the ongoing exploration work at the Perk-Rocky project.

(Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

d) Ligneris Property, Quebec

On June 26, 2019, the Company entered into an earn in agreement with Société d'exploration minière Vior Inc. (“Vior”) whereby the Company can earn a 70% interest in the Ligneris property, located 90 km north of Rouyn-Noranda, Quebec. The Company can earn a 51% interest in the Ligneris Property by issuing Vior 1,000,000 common shares of the Company and incurring $3,000,000 in exploration expenditures over the first four years of the agreements as follows:

	Work Commitment	Shares
Within ten days of TSX Venture acceptance	-	200,000 (issued)
On or before the first anniversary	$750,000	225,000
On or before the second anniversary	$750,000	250,000
On of before the third anniversary	$750,000	325,000
On of before the fourth anniversary	$750,000	-

Upon the Company earning its’ initial 51% interest in the Ligneris Property, the Company will have 60 days to elect to earn an additional 19% interest in the Ligneris Property by incurring an additional $4,000,000 in exploration expenditures over the next three years, commencing from the date of the Company’s election.

As at December 31, 2019, the Company had incurred $1,733,166 (2018 - $nil) in exploration expenditures at the Ligneris Property, which is included in the statement of loss and comprehensive loss.

e) Iron Point Property, Nevada, USA

On May 16, 2019, the Company entered into an earn in agreement with Victory Metals Ltd. (“Victory”) whereby the Company can earn a 50% undivided interest in the gold and silver rights at Victory’s Iron Point vanadium project, located 22 miles east of Winnemucca, Nevada. The Company can earn its 50% undivided interest by spending $5,000,000 over three years, including a minimum of $1,000,000 (incurred) in the first year. Following the earn-in, a 50-50 joint venture will be formed between the Company and Victory, exclusive to the gold and silver rights on the Iron Point property.

As at December 31, 2019, the Company had incurred $1,695,333 (2018 - $nil) in exploration expenditures at the Iron Point Property, which is included in the statement of loss and comprehensive loss.

f) WC Property, Yukon

The WC Property claims expired during the year ended December 31, 2018 resulting in the Company writing off the final balance of $1.

(Expressed in Canadian Dollars)

5. ACCOUNTS RECEIVABLE

		2019		2018
GST receivable	$	163,111	$	33,607
QST receivable		168,476		-
IVA receivable (IVA)		130,205		58,759
Other		1,575		-
Balance, December 31, 2019	$	463,367	$	92,366

6. INVESTMENTS

On April 12, 2019, the Company subscribed for 1,650,000 shares at a price of $0.12 per share in a private British Columbia corporation, Carlin Type Holdings Ltd. (“CTH”), for total proceeds of $198,000. CTH’s wholly owned Nevada subsidiary, Ridgeline Minerals Corporation (“Ridgeline”), has options to acquire a 100% interest in three highly prospective gold exploration projects in Nevada: Carlin-East, Swift and Selena.

On December 12, 2019, the Company subscribed for an additional 250,000 shares at a price of $0.22 in CTH, for total proceeds of $55,000.

As at December 31, 2019, the company owns 1,900,000 shares of CTH with a total cost base of $253,000. The fair value of the CTH shares at December 31, 2019 was determined to be $418,000, resulting in $165,000 being included in the statements of loss and comprehensive loss as a change in fair value of investments.

7. TAX CREDITS RECEIVABLE

As at December 31, 2019, the Company has tax credits receivable of $106,138 (2018 - $106,138), which consists of BCMETC receivable.

8. PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2019, the company acquired a building in the province of Quebec, Canada for total proceeds of $69,168 (2018 - $nil). The Company has recorded $197 (2018 - $nil) in amortization expense for the year, which is included in the statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE

		2019		2018
Trade payables	$	321,853	$	81,519
Indemnity payable		109,498		-
Part XII.6 tax payable		15,386		-
Other		26,109		-
Balance, December 31, 2019	$	472,846	$	81,519

10. NOTE PAYABLE

On December 4, 2017, the Company issued a promissory note payable to facilitate the payment of the mining duties payable in Mexico relating to the acquisition of the La Purisima mineral property (Note 4). The note principal is $70,495 and bears interest of 10% per annum and is payable on demand. During the year ended December 31, 2018 the Company repaid $74,283 in principal and accrued interest. As at December 31, 2019, total interest expense of $nil (2018 - $3,267) is included in the statements of loss and comprehensive loss.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – issued and outstanding

Common shares - At December 31, 2019, the Company had 63,217,013 (December 31, 2018 – 54,685,381) common shares issued and outstanding.

Preferred shares – At December 31, 2019 and December 31, 2018 no preferred shares were issued and outstanding.

i) On November 26, 2019, the Company completed a non-brokered private placement of 6,531,632 flow-through units of the Company at a price of $0.27 cents per flow through unit for gross proceeds of $1,763,541. Each flow through unit consists of one common share of the Company to be issued on a flow-through basis under the Income Tax Act (Canada) and one-half of one non-flow through common share purchase warrant Each whole warrant entitles the holder to purchase one non-flow-through common share of the Company at a purchase price of $0.30 for a period of two years from the date of issuance. The Company recognized share issuance costs of $13,290 and a flow through premium liability of $653,163 on issuance. The residual value of the private placement of $1,110,378 was allocated to share capital. During the year ended December 31, 2019, $nil in flow through share premium was reallocated to other income as a result of the Company incurring qualifying exploration expenses during the period.

ii) On August 2, 2019, 100,000 stock options with an exercise price of $0.20 were exercised for gross proceeds to the Company of $20,000.

iii) On July 31, 2019, the Company issued 100,000 common shares relating to the acquisition of the Pine Pass mineral property (Note 4) with a fair value of $27,000.

11. SHARE CAPITAL (continued)

(c) Common shares – issued and outstanding (continued)

iv) On July 26, 2019, the Company issued 200,000 common shares relating to the acquisition of the Ligneris mineral property (Note 4) with a fair value of $50,000.

v) On June 10, 2019, the Company completed a non-brokered private placement and issued 1,125,000 units of the Company at a price of $0.20 per unit for gross proceeds of $225,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a purchase price of $0.40 per share until June 10, 2021.

vi) On June 4, 2019, the Company issued 300,000 common shares relating to the acquisition of the Perk Rocky mineral property (Note 4) with a fair value of $63,000.

vii) On January 24, 2019, 175,000 stock options with an exercise price of $0.15 per share were exercised for gross proceeds of $26,250.

viii) On December 21, 2018, the Company completed a non-brokered private placement of 7,000,000 flow-through units ("FT Unit") of the Company at a price of $0.28 per FT Unit for gross proceeds of $1,960,000. Each FT Unit consists of one common share of the Company to be issued on a flow-through basis under the Income Tax Act (Canada) and one-half of one non-flow through common share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share of the Company at a purchase price of $0.30 per share until December 31, 2020. The Company recognized a flow through premium liability of $350,000 on issuance. The residual value of the private placement of $1,610,000 was allocated to share capital. During the year ended December 31, 2019, $350,000 in flow through share premium was reallocated to other income from settlement of flow through as a result of the Company incurring qualifying exploration expenses during the period.

In connection with the flow through financing, the Company renounced the expenditures as at December 31, 2018 and indemnified the subscribers in the event the Company could not fulfill its' obligation of expending the entire proceeds during fiscal 2019 in the province of British Columbia. The Company expended the full amount of the financing during fiscal 2019. However, as a result of the Pine Pass moratorium (Note 4), the Company was only able to expend $878,105 in the province of British Columbia during fiscal 2019 and as a result recorded an indemnity expense of $109,498 to reimburse subscribers for the loss of certain tax credits. As at December 31, 2019, $109,498 was payable to subscribers, which was paid subsequent to December 31, 2019.

ix) On November 26, 2018, the company issued 100,000 common shares relating to the acquisition of the La Purisima mineral property (Note 4) with a fair value of $21,500.

x) On August 8, 2018, the company issued 200,000 common shares relating to the acquisition of the Pine Pass mineral property (Note 4) with a fair value of $28,000.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

(c) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant.

On June 22, 2010, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant. At December 31, 2018, 4,765,000 share purchase options were outstanding.

A summary of the status of the Company's share purchase options outstanding as at December 31, 2019 and 2018 and changes during the years ended on those dates are presented below:

	2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,765,000	$0.20	3,090,000	0.28
Granted	1,000,000	$0.20	3,000,000	$0.18
Exercised	(275,000)	$0.17	-	-
Expired	(150,000)	$0.30	(1,325,000)	$0.32
Outstanding at end of year	5,340,000	$0.20	4,765,000	$0.20

As at December 31, 2019, the following share purchase options were outstanding and exercisable:

Expiry date	**Outstanding Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining contractual life (in years)**	**Exercisable Options**
Jul 29, 2020	225,000	$0.15	0.58	225,000
Jun 22, 2021	865,000	$0.30	1.48	865,000
Dec 3, 2022	250,000	$0.20	2.93	250,000
Jul 26, 2023	2,650,000	$0.17	3.49	2,650,000
Dec 4, 2023	350,000	$0.23	3.93	350,000
Jan 10, 2022	400,000	$0.20	2.03	400,000
May 31, 2024	600,000	$0.20	4.42	600,000
	5,340,000	$0.28	3.04	5,340,000

The weighted average grant-date fair value of share purchase options granted during the fiscal year ended December 31, 2019 was $0.11 (2018 - $0.11) per share purchase option. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options issued to employees. The Company determines the fair value of share purchase options issued to non-employees using the value of services provided by the non-employees.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

(c) Share purchase options (continued)

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the years to directors, officers and employees:

	2019	2018
Weighted average share price	$0.19	$0.18
Weighted average exercise price	$0.20	$0.18
Risk-free interest rate	1.58%	1.99%
Expected volatility (1)	78.80%	71.19%
Expected years of option life (2)	5	5
Expected dividends	Nil	Nil

(1) Expected volatility was determined based on the historical volatility of the Company over a period commensurate with the expected option life.
(2) The effects of early exercise were not incorporated into the model as the options are expected to be held for the contractual life.

(d) Share purchase warrants

As at December 31, 2019 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2018	Issued	Expired	Outstanding, December 31, 2019
$0.30	May 12, 2021*	3,876,470	-	-	3,876,470
$0.15	August 24, 2023**	1,500,000	-	(1,000,000)	1,500,000
$0.30	December 21, 2020	3,500,000	-	-	3,500,000
$0.40	June 10, 2021	-	1,125,000	-	1,125,000
$0.30	November 26, 2021	-	3,265,816	-	3,500,000
		8,876,470	4,390,816	(1,000,000)	12,267,286

* During the year ended December 31, 2018, the Company extended the expiry date of the warrants from May 12, 2018 to November 12, 2019. During the year ended the December 31, 2019, the Company extended the expiry date of the warrants from November 12, 2019 to May 12, 2021.
** The first tranche of 500,000 warrants vested on August 23, 2018. The second tranche of 500,000 warrants will vest on February 23, 2020 and the final tranche of 500,000 warrants will vest on August 23, 2021. The weighted average grant-date fair value of these warrants was $0.08. Refer to Note 4.

As at December 31, 2018 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2017	Issued	Expired	Outstanding, December 31, 2018
$0.30	May 12, 2018*	3,876,470	-	-	3,876,470
$0.15	August 24, 2023**	-	1,500,00	-	1,500,000
$0.30	December 21, 2020	-	3,500,00	-	3,500,000
		3,876,470	5,000,00	-	8,876,470

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

The following weighted-average grant date assumptions were used in valuing share purchase warrants granted with respect to the Company's mineral interests (Note 4):

	2019	2018
Weighted average share price	n/a	$0.14
Weighted average exercise price	n/a	$0.15
Risk-free interest rate	n/a	2.16%
Expected volatility (1)	n/a	70.36%
Expected years of option life (2)	n/a	5
Expected dividends	n/a	Nil

12. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. Related party transactions not otherwise disclosed in these consolidated financial statements are:

(a) The Company paid $178,000 (2018 - $170,000) in consulting fees to private companies controlled by certain directors and officers of the Company.

(b) The Company received reimbursable office rent for a shared office space from a company with a shared director of $16,500 (2018 - $nil). At December 31, 2019, $1,575 (2018 - $nil) is included in accounts receivable.

(c) $nil is payable to two directors at December 31, 2019 (2018 – $12,900) for consulting and director fees.

(d) $2,234 is payable to an officer at December 31, 2019 (2018 - $nil) for reimbursable expenses.

(e) $nil is receivable from a director at December 31, 2019 (2018 – $4,437) related to expenses reimbursable to the Company.

(f) On December 4, 2017, the Company issued a note payable in the amount of $70,495 to a Company with a shared director (Note 10). The note payable bears interest of 10% per annum and is payable on demand. During the year ended December 31, 2018 the Company repaid $74,283 in principle and accrued interest.

Key personnel compensation

	For the year ended	
	December 31, 2019	December 31, 2018
Consulting fees	$ 178,000	$ 170,000
Directors fees	-	9,600
Share-based compensation	25,040	269,775
	$ 203,040	$ 449,375

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
Interest received	$111,600	$ 75,670
Interest paid	-	-

During the year ended December 31, 2019, the Company entered into the following non-cash transactions:

- The Company recognized a flow through premium on its private placement of $653,163.
- The Company issued 600,000 common shares for mineral interests valued at $133,000.
- The Company recognized $20,033 in mineral interest acquisition costs related to the vesting of warrants that were previously issued for the La Purisima mineral interest.
- The Company reallocated $25,554 from share option reserve to share capital upon the exercise of 275,000 stock options.
- The reallocated $32,888 in share warrant reserve to deficit upon the cancellation of 1,000,000 unvested warrants.

During the year ended December 31, 2018, the Company entered into the following non-cash transactions:

- The Company recognized a flow through premium on its private placement of $350,000.
- The Company issued 300,000 common shares for mineral interests valued at $49,500.
- The Company issued 1,500,000 share purchase warrants related to the La Purisima mineral interest (Note 4). The Company recognized $53,445 in mineral interest acquisition costs related to these warrants.

14. SEGMENT INFORMATION

(a) The Company operates in one industry segment (Note 1).

(b) At December 31, 2019 and 2018, the Company's mineral interests were located as follows:

	2019	2018
Mineral interests		
British Columbia, Canada	$ 267,152	$ 114,152
Quebec, Canada	$ 53,455	$ -
Chihuahua, Mexico	$ -	$ 429,337

The Company's other assets and liabilities and net expenses are attributable to its corporate office and exploration and project evaluation activities in Canada, United States and Mexico.

(Expressed in Canadian Dollars)

15. INCOME TAXES

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the net loss before income tax. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

		2019		2018
Net loss	$	6,396,501	$	1,220,911
Combined statutory income tax rate		27%		27%
Income tax recovery at combined statutory tax rate	$	1,727,000	$	358,000
Non-deductible or non-taxable items, net		(473,000)		(117,000)
Deductible costs		-		18,000
Unrecognized tax benefits		(1,254,000)		(259,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The Company's deferred tax assets and liabilities at December 31, 2019 and 2018 are:

		2019		2018
Deferred tax assets				
Mineral interests	$	3,049,000	$	2,085,000
Fixed assets		44,000		14,000
Share issue costs		-		1,000
Tax loss carry-forwards		2,203,000		1,920,000
Deferred tax liabilities				
Investments		(22,000)		-
Unrecognized deferred tax assets	**$**	**5,274,000**	**$**	**4,020,000**

The Company estimates that the realization of income tax benefits related to these deferred tax assets is uncertain and accordingly no deferred tax asset has been recognized.

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

Year of Origin	Year of Expiry	Amount
2007	2027	56,637
2008	2028	77,150
2009	2029	231,098
2010	2030	442,899
2011	2031	1,538,389
2012	2032	1,173,929
2013	2033	898,400
2014	2034	658,920
2015	2035	572,289
2016	2036	451,708
2017	2037	596,279
2018	2038	378,174
2019	2039	1,058,430

As at December 31, 2019, the Company has Mexican non-capital losses of $24,822 (2018 - $32,351) that may be carried forward and used to reduce income taxes of future years. These non-capital losses expire in 2028.

As at December 31, 2019, the Company has unused income tax credits of $ 170,000 (2018 - $170,000) that may be carried forward and used to reduce income taxes of future years. These income tax credits expire between 2031 and 2033.

As at December 31, 2019, the Company is entitled to a significant credit on duties refundable for loss under the Mining Duties Act and a refundable tax credit for resources under the Quebec Income Tax Act. Fiscal 2019 was the Company's first year operating under this program and as a result the Company will be recording any Quebec refundable tax credits at the time they are received.

16. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities in Canada and Mexico are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

During the year ended December 31, 2019, the Company recognized a flow through share premium liability of $653,163 (2018 - $350,000) relating to the flow through private placement that was completed on November 26, 2019 (Note 12), no expenditures had been incurred to reduce this liability.

16. COMMITMENTS AND CONTINGENCIES (continued)

During the year ended December 31, 2019, the Company expended the full amount of the proceeds from the flow through financing that closed in fiscal 2018, resulting in $350,000 being reallocated from flow through share premium to other income during the year. However, as a result of the Pine Pass moratorium (Note 4), the Company was only able to expend $878,105 in the province of British Columbia during fiscal 2019 and as a result recorded an indemnity expense of $109,498 to reimburse subscribers for the loss of certain tax credits. As at December 31, 2019, $109,498 was payable to subscribers, which was paid subsequent to December 31, 2019.

On December 11, 2019, Roca Dorada was served formal notice of a non-contention judicial application *jurisdiccion voluntaria* (“Application”) filed by the vendors of the La Purisima property, in the state of Chihuahua, Mexico. This preliminary Application states that the Company owes the vendor the second-year anniversary payment of US$250,000 cash and the issuance of 250,000 shares of the Company, per the La Purisima option purchase agreement (Note 4) as a result of not providing formal notice of termination to the vendors. In addition, the preliminary Application is claiming damages of US$4,300,000 and 3,350,000 shares of the Company, which includes, among other claimed damages, the remaining cash payments and share issuances under the La Purisima option purchase agreement.

Management believes the Application has no merit as the Company documented its legal efforts to serve formal notice to the vendors, per the terms of the La Purisima option purchase agreement, which was conducted within the prescribed laws in Mexico. As a result of the Company having served proper notice of termination, the Company has performed its obligations under the original option purchase agreement and has no further obligations to the vendors.

At the date the Board approved these consolidated financial statements, the Company is not aware of the vendors filing a principle action or claim. Should the vendors file a principle action or claim the Company will vigorously defend its position on any and all claims noted in the preliminary Application.

17. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders’ equity. The Company’s primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company’s capital.

18. FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. The Company is not exposed to significant market or other price risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Amounts receivable consist primarily of goods and services tax refunds due from the Government of Canada and are neither past due nor impaired. As such, the Company considers its exposure to credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable, accrued liabilities and amounts due to related parties, which are all due on demand. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

As at December 31, 2019, the Company estimates that a 1% change in prevailing interest rates would change the fair value of future cash flows from the Company's financial instruments by approximately $11,000 (2018 - $6,000).

19. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to December 31, 2019, the Company issued 450,000 common shares and paid $75,000 to the vendors of the Perk-Rocky property (Note 4).

(b) On May 7, 2020, the Company amended the Perk-Rocky option agreement (Note 4) whereby the second anniversary payments of $175,000 in cash and 700,000 common shares are now due on or before August 16, 2021.

(c) On May 22, 2020, the Company and Victory amended the Iron Point (Note 4) earn in agreement whereby the Company must expend $5,000,000 over five years (previously three years), including $1,000,000 (incurred) in the first year. Commencing on the first anniversary of the agreement, the Company must spend at least US$250,000 each year in exploration expenditures.