

**SIENNA RESOURCES INC.**  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
December 31, 2019 and 2018

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Sienna Resources Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Sienna Resources Inc. (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, cash flows, and changes in shareholders' equity (deficiency) 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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$414,746 during the year ended December 31, 2019 and has an accumulated deficit of \$22,537,385 since its inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information 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 Glenn Parchomchuk.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Professional Accountants

April 9, 2020

**SIENNA RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>ASSETS</b>	December 31, <u>2019</u>	December 31, <u>2018</u>
<b>Current assets</b>			
Cash and cash equivalents – Note 4	\$ 468,398	\$ 550,657	
Receivables – Note 5	23,029	10,145	
Prepaid expenses – Note 6	5,762	3,687	
<b>Total current assets</b>	<u>497,189</u>	<u>564,489</u>	
<b>Non-current assets</b>			
Investments – Note 7	413,000	413,000	
Exploration and evaluation assets – Note 8	<u>1,307,082</u>	<u>1,146,412</u>	
<b>Total assets</b>	<u><u>\$ 2,217,271</u></u>	<u><u>\$ 2,123,901</u></u>	
	<b>LIABILITIES</b>		
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 9 and 13	\$ 916,373	\$ 959,129	
Interest payable – Note 10	-	1,566	
Loans payable – Note 10	-	5,000	
<b>Total current liabilities</b>	<u>916,373</u>	<u>965,695</u>	
	<b>SHAREHOLDERS' EQUITY</b>		
Share capital – Note 11	20,332,586	19,877,725	
Reserves – Note 11	3,505,697	3,403,120	
Accumulated deficit	<u>(22,537,385)</u>	<u>(22,122,639)</u>	
<b>Total shareholders' equity</b>	<u>1,300,898</u>	<u>1,158,206</u>	
<b>Total liabilities and shareholders' equity</b>	<u><u>\$ 2,217,271</u></u>	<u><u>\$ 2,123,901</u></u>	

Nature and Continuance of Operations (Note 1)  
Subsequent events (Note 19)

APPROVED BY THE DIRECTORS:

“John Masters”  
John Masters

Director

“Jason Gigliotti”  
Jason Gigliotti

Director

**SIENNA RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Years ended December 31,	
	<u>2019</u>	<u>2018</u>
<b>Operating expenses</b>		
Consulting	\$ -	\$ 11,691
Corporate branding	8,538	195,945
Directors' fees – Note 13	12,500	12,500
Management fees – Note 13	120,000	120,000
Office and miscellaneous	62,425	64,006
Professional fees – Note 13	63,508	75,098
Shareholder information	28,958	30,342
Share-based payments – Notes 11 and 13	93,165	260,516
Transfer agent and filing fees	14,843	20,517
Travel	22,724	25,790
	<hr/>	<hr/>
	(426,661)	(816,405)
Interest expense – Note 10	(187)	(250)
Interest income	5,349	8,278
Gain on write-off of loans and interest payable – Note 10	6,753	-
Loss on write-off of prepaid expenses – Note 6	-	(129,990)
	<hr/>	<hr/>
	11,915	(121,962)
<b>Net loss and comprehensive loss for the year</b>	<hr/>	<hr/>
Loss per share – basic and diluted – Note 12	<hr/>	<hr/>
Weighted average number of common shares outstanding – basic and diluted – Note 12	<hr/>	<hr/>

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

**SIENNA RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Years ended December 31,	
	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Loss for the year	\$ (414,746)	\$ (938,367)
Adjustments for non-cash items:		
Accrued interest on loans payable	187	250
Gain on write-off of loans and interest payable	(6,753)	-
Loss on write-off of prepaid expenses	-	129,990
Share-based payments	93,165	260,516
Changes in non-cash working capital items:		
Receivables	(12,884)	15,203
Prepaid expenses	(2,075)	(2,820)
Accounts payable and accrued liabilities	<u>(76,673)</u>	<u>(920,472)</u>
<b>Cash used in operating activities</b>	<u>(419,779)</u>	<u>(1,455,700)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	(126,753)	(383,687)
<b>Cash used in investing activities</b>	<u>(126,753)</u>	<u>(383,687)</u>
<b>Financing Activities</b>		
Loan repayment	-	(40,000)
Proceeds from issuance of share capital	478,500	2,364,000
Share issue costs	<u>(14,227)</u>	<u>(136,959)</u>
<b>Cash provided by financing activities</b>	<u>464,273</u>	<u>2,187,041</u>
Change in cash and cash equivalents during the year	(82,259)	347,654
Cash and cash equivalents, beginning of the year	<u>550,657</u>	<u>203,003</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 468,398</u>	<u>\$ 550,657</u>

Supplemental Disclosure with Respect to Cash Flows (Note 18)

**SIENNA RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	<b>Share Capital</b>		<b>Share subscriptions received in advance</b>		<b>Accumulated deficit</b>	<b>Total</b>
	<b>Number of shares</b>	<b>Amount</b>		<b>Reserves</b>		
<b>Balance, December 31, 2017</b>	39,896,382	\$ 17,656,593	\$ 174,000	\$ 2,962,695	\$ (21,184,272)	\$ (390,984)
Shares issued for private placement	12,500,000	2,500,000	(174,000)	-	-	2,326,000
Share issue costs	-	(136,959)	-	-	-	(136,959)
Share purchase warrants exercised	760,000	38,000	-	-	-	38,000
Stock options issued	-	-	-	260,516	-	260,516
Broker warrants issued for private placement	-	(179,909)	-	179,909	-	-
Loss for the year	-	-	-	-	(938,367)	(938,367)
<b>Balance, December 31, 2018</b>	53,156,382	19,877,725	-	3,403,120	(22,122,639)	1,158,206
Shares issued for private placement	8,570,000	428,500	-	-	-	428,500
Share issue costs	-	(14,227)	-	-	-	(14,227)
Share purchase warrants exercised	1,000,000	50,000	-	-	-	50,000
Stock options issued	-	-	-	93,165	-	93,165
Broker warrants issued for private placement	-	(9,412)	-	9,412	-	-
Loss for the year	-	-	-	-	(414,746)	(414,746)
<b>Balance, December 31, 2019</b>	62,726,382	\$ 20,332,586	\$ -	\$ 3,505,697	\$ (22,537,385)	\$ 1,300,898

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

**SIENNA RESOURCES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
December 31, 2019 and 2018 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Sienna Resources Inc. (the “Company”) was incorporated on March 11, 1983, under the British Columbia Company Act. The Company is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”). The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At December 31, 2019, the Company had exploration and evaluation assets located in Canada, Sweden and the U.S.A.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2019, the Company had not yet achieved profitable operations, incurred a loss of \$414,746 during the year ended December 31, 2019 and had an accumulated deficit of \$22,537,385 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**2. BASIS OF PREPARATION**

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on April 9, 2020.

**2. BASIS OF PREPARATION (continued)**

b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at fair value.

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

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

*Judgments*

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as discussed in Note 1

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

## 2. BASIS OF PREPARATION (continued)

### d) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of December 31, 2019 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest December 31, 2019	Ownership Interest December 31, 2018
Sienna Resources Sweden AB	Holding company	Sweden	100%	100%
Sienna Resources (US) Inc.	Holding company	USA	100%	100%

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### a) Exploration and evaluation assets

#### *Pre-exploration costs*

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

#### *Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **a) Exploration and evaluation assets (continued)**

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

#### **b) Impairment of tangible and intangible assets**

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets’ cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

#### **c) Rehabilitation provision**

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

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Rehabilitation provision (continued)**

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

**d) Financial instruments**

**Classification**

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

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

An equity investment that is held for trading is measured at FVTPL. For other equity instruments that are held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Financial instruments (continued)**

**Measurement**

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

**Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

**Financial assets at amortized cost**

These assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Financial instruments (continued)**

An expected credit loss impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**e) 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 income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) 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 expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

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.

**g) 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 most easily measured 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 a private placement 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 as a warrant reserve.

**h) Investment tax credit**

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of loss and comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

**i) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

**j) New accounting standards adopted**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

*IFRS 16 – Leases*

New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting. The Company adopted this new standard on January 1, 2019. The adoption of this new standard has no impact on the Company's consolidated financial statements.

**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are denominated in the following currencies and include the following components:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Cash at bank in Canadian dollars	\$ 11,542	\$ 23,574
Cash at bank in Sweden krona	112,356	62,583
Short-term deposits	344,500	464,500
	<hr/>	<hr/>
	\$ 468,398	\$ 550,657

## **5. RECEIVABLES**

The Company's receivables comprise of goods and services tax ("GST") and value-added tax ("VAT") receivable due from government taxation authorities, and other receivables.

	December 31, <u>2019</u>	December 31, <u>2018</u>
Accounts receivable	\$ 3,204	\$ 6,585
GST recoverable	3,393	3,288
VAT recoverable	16,432	272
Total receivables	<u>\$ 23,029</u>	<u>\$ 10,145</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

## **6. PREPAIDS**

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Corporate branding *	\$ 4,523	\$ 1,373
Other prepaids	1,239	2,314
Total prepaids	<u>\$ 5,762</u>	<u>\$ 3,687</u>

\* In June 2016, the Company prepaid an arm's length party \$129,990 to provide corporate branding services to the Company. As management of the Company did not foresee any future benefit arising from the services, it had written the amount off in the year ended December 31, 2018.

## **7. INVESTMENTS**

The Company's investments consist of an investment in 700,000 common shares of Andora Energy Corporation ("Andora"), a private company in the oil and gas industry in Alberta, Canada. These shares account for 0.7% of Andora's outstanding common shares as of December 31, 2019 and December 31, 2018. The Company's interest in Andora does not represent a position of control or significant influence, accordingly, the Company has recorded the investment at fair value.

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## **8. EXPLORATION AND EVALUATION ASSETS**

	YK White Gold	Nevada Clayton Valley Deep Basin Lithium Brine Project	Sweden Slatberg Cobalt - Nickel - Copper Project	Total
<b>Balance, December 31 2017</b>	\$ 4,660	\$ 50,137	\$ 735,000	\$ 789,797
Deferred exploration expenditures				
Assay	-	-	5,127	5,127
Claim maintenance fees	210	13,546	-	13,756
Drilling	-	-	229,054	229,054
Field equipment & supplies	-	-	2,725	2,725
Geological consulting	-	-	14,200	14,200
Geological report	-	-	4,559	4,559
Reclamation	-	-	5,081	5,081
Sampling	-	-	32,650	32,650
Survey	-	-	37,447	37,447
Travel	-	-	12,016	12,016
<b>Balance, December 31, 2018</b>	<b>4,870</b>	<b>63,683</b>	<b>1,077,859</b>	<b>1,146,412</b>
Deferred exploration expenditures				
Assay	-	-	1,729	1,729
Claim maintenance fees	210	14,495	-	14,705
Drilling	-	-	138,149	138,149
Geological consulting	-	-	2,540	2,540
Travel	-	-	3,547	3,547
<b>Balance, December 31, 2019</b>	<b>\$ 5,080</b>	<b>\$ 78,178</b>	<b>\$ 1,223,824</b>	<b>\$ 1,307,082</b>

### Title to Mineral Property Interests

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

#### White Gold, Yukon – Staking

During the year ended December 31, 2009, the Company acquired a 100% interest in certain gold claims in the region of the White and Yukon Rivers for staking costs incurred of \$106,896.

During the years ended December 31, 2011, 2013 and 2015, the Company decided not to renew certain claims and allowed them to lapse when they became due. Prior acquisition costs of \$106,273 and exploration costs of \$114,319 associated with these lapsed claims were written off.

The Company continues to hold a 100% interest in the remaining White Gold claims. As at December 31, 2019, the Company had spent a total of \$4,457 in exploration expenditures on the remaining claims of this property.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

**Clayton Valley Deep Basin Lithium Brine Project, Nevada, U.S.A. – Staking**

In May 2016, the Company acquired a 100% interest in certain mineral claims of the Clayton Valley Deep Basin Lithium Brine Project in Nevada, U.S.A., for staking costs of \$23,609.

As at December 31, 2019, the Company had incurred a total of \$54,569 in claim maintenance fees on this property.

**Slattberg Cobalt-Nickel-Copper Project, Sweden – Exploration and Option Agreement**

In December 2017, the Company entered into an exploration and option agreement (the "Slattberg Agreement") with an arm's length party, a company organized under the laws of Sweden (the "Slattberg Vendor"). Pursuant to the Slattberg Agreement, the Slattberg Vendor granted an option (the "Option") to the Company to acquire the Slattberg Cobalt-Nickel-Copper Project in Sweden. In consideration, the Company is required to issue 3,000,000 common shares to the Slattberg Vendor within five business days upon Exchange approval (issued at a value of \$735,000) and spend at least \$500,000 in exploration expenditures on or before December 8, 2018, and such exploration expenditures shall include the drilling of at least 750 metres on the project.

In November 2018, February 2019, September 2019 and December 2019, the Company entered into Amendments with the Slattberg Vendor to extend the option period to June 30, 2020. Pursuant to the Amendments, the Company is required to incur at least \$250,000 in exploration expenditures on the Slattberg properties on or before the end of the option period.

Upon exercise of the Option, the Company shall issue to the Slattberg Vendor an additional 3,000,000 common shares.

The Slattberg Project is subject to a 3% net smelter return (NSR) royalty. Within six years of the execution of the Slattberg Agreement, the Company may purchase 0.5% of the NSR royalty for \$1,500,000, which is subject to Exchange approval.

From the date of the closing of the exercise of the Option, the Company will use commercially reasonable efforts to raise \$3,000,000 for development of the Slattberg Project and other activities. Once the Company has raised that amount, the Company will issue an additional 4,000,000 shares to the Slattberg Vendor, which is subject to Exchange approval.

As of December 31, 2019, the Company had incurred a total of \$488,824 in exploration expenditures on this property.

## **9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Trade payables	\$ 883,159	\$ 924,869
Accrued liabilities	33,214	34,260
Total accounts payable and accrued liabilities	<u>\$ 916,373</u>	<u>\$ 959,129</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value due to the short-term nature of these instruments.

## **10. LOANS PAYABLE**

In September 2012, the Company arranged a loan from an arm's length party for a total principal amount of \$5,000, bearing 5% interest per annum and due on demand.

During the year ended December 31, 2019, \$5,000 of principal and \$1,753 of interest were fully written off relating to the loan.

## **11. SHARE CAPITAL AND RESERVES**

**Authorized:** An unlimited number of common shares, without par value  
100,000,000 Class A preferred shares, par value \$10  
100,000,000 Class B preferred shares, par value \$50

### **(a) Private placements**

*Year ended December 31, 2019*

In July 2019, the Company closed a private placement (the "Offering") consisting of 8,570,000 units at \$0.05 per unit for gross proceeds of \$428,500. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until July 2, 2024. The Company incurred filing fees of \$4,227, paid an aggregate finders' fees of \$10,000, and issued 200,000 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.05 per share into one common share until July 2, 2024. The Broker Warrants were valued at \$9,412, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 167.6%, risk-free interest rate 1.41% and an expected life of five years.

## **11. SHARE CAPITAL AND RESERVES (continued)**

### **(a) Private placements (continued)**

*Year ended December 31, 2018*

In January 2018, the Company closed a private placement (the "Offering") consisting of 12,500,000 units at \$0.20 per share for gross proceeds of \$2,500,000, of which \$174,000 was received as at December 31, 2017. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until January 16, 2023. The Company incurred filing fees of \$14,799, paid an aggregate finders' fees of \$122,160, and issued 610,800 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.30 per share into one common share until January 16, 2023. The Broker Warrants were valued at \$179,909, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 209.6%, risk-free interest rate 1.99% and an expected life of five years.

### **(b) Share purchase warrants**

The following is a summary of changes in share purchase warrants from December 31, 2017 to December 31, 2019:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2017	8,116,667	\$0.38
Issued	13,110,800	\$0.30
Exercised	(760,000)	\$0.05
Expired	<u>(2,836,667)</u>	<u>\$1.00</u>
Balance, December 31, 2018	17,630,800	\$0.24
Issued	8,770,000	\$0.05
Exercised	(1,000,000)	\$0.05
Expired	<u>(270,000)</u>	<u>\$0.05</u>
Balance, December 31, 2019	<u>25,130,800</u>	<u>\$0.18</u>

At December 31, 2019, the Company had 25,130,800 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,250,000	\$0.05	April 6, 2020 (Note 19)
13,110,800	\$0.30	January 16, 2023
<u>8,770,000</u>	<u>\$0.05</u>	<u>July 2, 2024</u>
<u>25,130,800</u>		

## **11. SHARE CAPITAL AND RESERVES (continued)**

### **(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from December 31, 2017 to December 31, 2019:

	<u>Number</u>	Weighted Average Exercise <u>Price</u>
Outstanding and exercisable, December 31, 2017	-	\$Nil
Granted	<u>3,000,000</u>	\$0.33
Outstanding and exercisable, December 31, 2018	3,000,000	\$0.33
Granted	<u>5,000,000</u>	\$0.07
Expired	<u>(3,000,000)</u>	\$0.33
Outstanding and exercisable, December 31, 2019	<u>5,000,000</u>	\$0.07

As of December 31, 2019, 5,000,000 share purchase options were outstanding entitling the holders thereof the right to purchase one common share of the Company for each option held as follows:

Number			
<u>Outstanding</u>	Exercise Price	Expiry Date	
3,000,000	\$0.075	July 2, 2020	
<u>2,000,000</u>	<u>\$0.065</u>	<u>September 18, 2020</u>	
<u>5,000,000</u>			

**11. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments**

During the year ended December 31, 2019, the Company granted 5,000,000 stock options with exercise prices ranging from \$0.065 to \$0.075 per share and expiry dates ranging from July 2, 2020 and September 18, 2020 (year ended December 31, 2018: 3,000,000 stock options were granted with an exercise price of \$0.33 per share and an expiry date at February 16, 2019). The weighted average fair value of the options issued during the year ended December 31, 2019 was estimated at \$0.02 (December 31, 2018: \$0.09) per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility*	123.0%	89.6%
Weighted average risk-free interest rate	1.6%	1.8%
Weighted average expected term	1 year	1 year

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended December 31, 2019 were \$93,165 (year ended December 31, 2018: \$260,516).

## **12. LOSS PER SHARE**

The calculation of basic and diluted loss per share was based on the following data:

	<b>Years ended December 31,</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Net Loss	\$ (414,746)	\$ (938,367)
Weighted average number of common shares for the purpose of basic and diluted loss per share	57,632,667	52,523,972

Basic loss per share is computed by dividing loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 11) were anti-dilutive for the years ended December 31, 2019 and 2018.

Basic and diluted loss per share for the year ended December 31, 2019 was \$(0.01) (year ended December 31, 2018: \$(0.02)).

## **13. RELATED PARTY TRANSACTIONS**

### *Key management personnel compensation*

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the actions of the Company and its subsidiaries as a whole. Their remuneration includes the following:

	<b>Years ended December 31,</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Directors' fees	\$ 12,500	\$ 12,500
Management fees	120,000	120,000
Professional fees	40,036	50,498
Share-based payments *	<u>87,051</u>	<u>26,052</u>
	<u><b>\$ 259,587</b></u>	<u><b>\$ 209,050</b></u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

### *Related party balances*

At December 31, 2019, accounts payable and accrued liabilities include \$778,911 (December 31, 2018: \$869,404) payable to four directors of the Company, a private company controlled by a director of the Company and a private company controlled by a director of the Swedish subsidiary for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

#### **14. SEGMENTAL REPORTING**

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	December 31, 2019	December 31, 2018
Canada	\$ 5,080	\$ 4,870
Sweden	1,223,824	1,077,859
U.S.A.	78,178	63,683
	<u>\$ 1,307,082</u>	<u>\$ 1,146,412</u>

#### **15. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2019</b>	<b>2018</b>
Loss for the year	\$ (414,746)	\$ (938,367)
Expected income tax (recovery)	(112,000)	(253,000)
Change in statutory tax rates and other	(13,000)	18,000
Permanent differences	28,000	108,000
Share issue cost		(37,000)
Adjustments to prior years provisions versus statutory tax returns	57,000	10,000
Change in unrecognized deductible temporary differences	40,000	154,000
Total income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's unrecognized deferred tax assets are as follows:

	2019	2018
<b>Deferred Tax Assets</b>		
Exploration and evaluation assets	\$ 570,000	\$ 662,000
Share issue costs	22,000	30,000
Capital assets	8,000	8,000
Marketable securities	104,000	104,000
Non-capital losses	2,026,000	1,886,000
<b>Net Unrecognized Deferred Tax Assets</b>	<b>\$ 2,730,000</b>	<b>\$ 2,690,000</b>

**15. INCOME TAXES (continued)**

No net deferred tax asset has been recognized in respect of the above for the years ended December 31, 2019 and 2018 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$7,491,000 and for U.S. tax purposes of approximately \$11,000 and for Swedish tax purpose of approximately \$6,000, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2039.

**16. CAPITAL DISCLOSURE**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which at December 31, 2019 was \$1,300,898 (2018: \$1,158,206).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at December 31, 2019, the Company has not entered into any debt financing with any financial institution.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2019.

**17. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, and accounts payable and accrued liabilities approximates their carrying values due to the short term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs. The fair value of investments is determined based on level 3 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**17. FINANCIAL INSTRUMENTS AND RISK (continued)**

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2018, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at December 31, 2019, the Company is not exposed to any significant credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. The Company had debt instruments at fixed rates and was therefore not exposed to risk in the event of interest rate fluctuations. As at December 31, 2019, the Company is not exposed to any significant interest rate risk.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

**Price Risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

**18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Year ended December 31, 2019:*

- a) As at December 31, 2019, the Company accrued exploration and evaluation assets of \$33,917 in accounts payable and accrued liabilities.
- b) The Company issued broker warrants at a value of \$9,412 as share issue costs (Note 11).

*Year ended December 31, 2018:*

- a) The Company issued broker warrants at a value of \$179,909 as share issue costs (Note 11).

**19. SUBSEQUENT EVENTS**

Subsequent to December 31, 2019, the following occurred:

- a) 2,340,000 share purchase warrants were exercised at a price of \$0.05 per share for total proceeds of \$117,000.
- b) 3,150,000 share purchase warrants at a price of \$0.05 per share expired unexercised.
- c) 100,000 stock options were exercised at a price of \$0.065 per share for total proceeds of \$6,500.
- d) The Company acquired a 100% interest in certain mineral claims (the “Marathon North Palladium Property”) in Northern Ontario for staking costs of \$15,700.