MacDonald Mines Exploration Ltd.

Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of MacDonald Mines Exploration Ltd.:

Opinion

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

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

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that as at December 31, 2018, the Company had a working capital deficiency of $1,279,876 and an accumulated deficit of $62,967,168. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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 Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 16, 2019 — Licensed Public Accountants

MacDonald Mines Exploration Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2018		As at December 31, 2017
Assets				
Current assets				
Cash and cash equivalents (note 4)	$	**351,991**	$	1,174,271
Amounts receivable (note 5)		**74,828**		244,623
Prepaid deposits		-		111,445
Marketable securities (note 6)		**10,407**		3,604
		437,226		1,533,943
Non-current assets				
Equipment (note 7)		**22,984**		26,332
Total assets	$	**460,210**	$	1,560,275
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 and 13)	$	**676,809**	$	454,527
Deferred flow-through premium (note 9)		**2,891**		92,400
Flow-through provision (note 10)		**1,037,402**		1,057,067
Short-term debt (note 13)		-		56,668
		1,717,102		1,660,662
Shareholders' deficiency (note 11)				
Share capital		**38,684,656**		38,503,262
Shares to be issued		**49,500**		180,000
Contributed surplus		**20,917,996**		20,742,666
Warrant reserve		**2,012,649**		1,892,760
Warrants to be issued		**45,475**		165,364
Accumulated other comprehensive loss		-		(17,358)
Accumulated deficit		**(62,967,168)**		(61,567,081)
Total shareholders' deficiency		**(1,256,892)**		(100,387)
Total liabilities and shareholders' deficiency	$	**460,210**	$	1,560,275

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)

Approved by the Board of Directors and authorized for issue on April 16, 2019

/s/ Tara Gillfillan — /s/ Quentin Yarie

Tara Gilfillan — Quentin Yarie

MacDonald Mines Exploration Ltd.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the years ended December 31, 2018	2017
Expenses		
Exploration expenditures (notes 12 and 13)	$ **915,110**	$ 3,902,063
Salaries, professional and consulting fees (note 13)	**146,107**	415,684
Shareholder communication	**163,474**	142,683
General and administrative	**55,737**	61,317
Depreciation (note 7)	**16,650**	16,654
Share-based compensation (note 11(b))	**175,330**	600,050
Deferred flow-through premium (note 9)	**(89,509)**	(73,654)
	(1,382,899)	(5,064,797)
Foreign exchange loss	**(6,288)**	-
Gain (loss) on marketable securities (note 6)	**6,803**	(22,211)
Expenses before finance items and income taxes	**(1,382,384)**	(5,087,008)
Finance items		
Interest income	**788**	687
Interest expenses (note 13)	**(1,133)**	(9,079)
Net loss	$ **(1,382,729)**	$ (5,095,400)
Other comprehensive loss:		
Items that may be classified subsequently to loss:		
Changes in fair value of marketable securities	-	(6,357)
Other comprehensive loss		(6,357)
Total comprehensive loss	$ **(1,382,729)**	$ (5,101,757)
Basic and diluted loss per share		
Basic	$ **(0.02)**	$ (0.08)
Diluted	$ **(0.02)**	$ (0.08)
Weighted average number of shares outstanding		
Basic	84,244,904	63,835,555
Diluted	84,244,904	63,835,555

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

MacDonald Mines Exploration Ltd.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the years ended December 31, 2018	2017
Operating activities		
Net (loss) income for the year	$ **(1,382,729)**	$ (5,095,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares and warrants issued for properties	**20,000**	2,843,750
Shares issued to settle debt	**30,894**	73,745
Depreciation (note 7)	**16,650**	16,654
Investment loss on derivative warrant	**-**	3,744
(Loss) gain on marketable securities (note 6)	**(6,803)**	22,211
Deferred premium on flow-through shares (note 9)	**(89,509)**	(73,654)
Interest on short-term loan (note 13)	**1,133**	-
Share-based compensation (note 11(b))	**175,330**	600,050
Changes in non-cash working capital		
Decrease (increase) in amounts receivable	**169,795**	(230,813)
Decrease (increase) in prepaid deposits	**111,445**	(111,445)
Increase (decrease) in accounts payable and accrued liabilities	**202,617**	(171,602)
Net cash used in operating activities	**(751,177)**	(2,122,760)
Investing activities		
Proceeds from sale of marketable securities	**-**	445,210
Acquisition of equipment (note 7)	**(13,302)**	(38,709)
Net cash (used in) provided by investing activities	**(13,302)**	406,501
Financing activities		
Proceeds from private placement	**-**	2,319,920
Share issue costs	**-**	(204,883)
Exercise of warrants	**-**	171,029
Repayment of short-term debt (note 13)	**(57,801)**	-
Net cash (used in) provided by financing activities	**(57,801)**	2,286,066
Net increase in cash and cash equivalents	**(822,280)**	569,807
Cash and cash equivalents, beginning of year	**1,174,271**	604,464
Cash and cash equivalents, end of year	$ **351,991**	$ 1,174,271

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

MacDonald Mines Exploration Ltd.
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Shares to be Issued	Contributed Surplus	Warrant Reserve	Warrants to be Issued	Other Comprehensive (Loss)	Accumulated Deficit	Total
Balance, January 1, 2018	**83,300,083**	**$ 38,503,262**	**$ 180,000**	**$ 20,742,666**	**$ 1,892,760**	**$ 165,364**	**$ (17,358)**	**$ (61,567,081)**	**$ (100,387)**
Adjustment on the initial application of IFRS 9		-	-	-	-	-	17,358	(17,358)	-
Net loss		-	-	-	-	-	-	(1,382,729)	(1,382,729)
Other comprehensive loss		-	-	-	-	-	-	-	-
Total comprehensive loss									(1,382,729)
Fair value of shares/warrants issued for property acquisition	1,225,000	150,500	(130,500)	-	119,889	(119,889)	-	-	20,000
Fair value of shares issued to settlement debt	617,882	30,894	-	-	-	-	-	-	30,894
Share-based compensation	-	-	-	175,330	-	-	-	-	175,330
Balance, December 31, 2018	**85,142,965**	**$ 38,684,656**	**$ 49,500**	**$ 20,917,996**	**$ 2,012,649**	**$ 45,475**	**$ -**	**$ (62,967,168)**	**$ (1,256,892)**
Balance, January 1, 2017	37,639,817	$ 35,383,153	$ -	$ 20,142,616	$ 247,072	$ -	$ (11,001)	$ (56,471,681)	$ (709,841)
Net loss		-	-	-	-	-	-	(5,095,400)	(5,095,400)
Other comprehensive loss		-	-	-	-	-	(6,357)	-	(6,357)
Total comprehensive loss									(5,101,757)
Private placement	27,088,857	2,319,920	-	-	-	-	-	-	2,319,920
Share issue costs	-	(204,883)	-	-	-	-	-	-	(204,883)
Fair value of warrants issued	-	(633,128)	-	-	633,128	-	-	-	-
Fair value of broker warrants issued	-	(180,057)	-	-	180,057	-	-	-	-
Fair value of shares/warrants issued for property acquisition	16,000,000	1,615,000	180,000	-	883,386	165,364	-	-	2,843,750
Fair value of shares issued to settlement debt	813,845	73,745	-	-	-	-	-	-	73,745
Exercise of warrants	1,757,564	221,912	-	-	(50,883)	-	-	-	171,029
Share-based compensation	-	-	-	600,050	-	-	-	-	600,050
Premium on flow-through shares	-	(92,400)	-	-	-	-	-	-	(92,400)
Balance, December 31, 2017	83,300,083	$ 38,503,262	$ 180,000	$ 20,742,666	$ 1,892,760	$ 165,364	$ (17,358)	$ (61,567,081)	$ (100,387)

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

1. Nature of operations and going concern

MacDonald Mines Exploration Ltd. (the "Company") is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 1001, 145 Wellington Street West, Toronto, Ontario, Canada, M5J 1H8. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011 the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange ("TSXV") under the ticker symbol "BMK". The Company's functional and presentation currency is Canadian Dollars.

The Company is currently in the exploration stage and has not commenced commercial operations. As at December 31, 2018, the Company had a working capital deficiency of $1,279,876 (2017 - $126,719) which includes a flow-through provision of $1,037,402 (2017 - $1,057,067), an accumulated deficit of $62,967,168 (2017 - $61,567,081) and has not yet generated operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprise IFRSs, International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s).

The financial statements were approved by the Board of Directors on April 16, 2019.

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Foreign currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

(d) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and short-term, highly-liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in interest income on the statement of loss and comprehensive loss.

(e) Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

(f) Equipment

Equipment is recorded at cost and depreciated over its expected useful life using the following methods:

Exploration equipment	-	50% declining balance
Vehicles	-	30% straight-line

(g) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations.

Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(h) Asset retirement obligation

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2018 and 2017, the Company had no asset retirement obligations.

(i) 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 and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is deferred and recognized as other income as the expenditure incurs, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. 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) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model.

(k) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(l) Share-based payment transactions

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are granted to non-employees and same or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

(m) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(n) Financial instruments

Financial Assets
Within the scope of IFRS 9, financial assets are classified as financial assets at amortized cost, FVTPL or FVTOCI, as appropriate. The Company classifies its financial assets as amortized cost or FVTPL.

Amortized cost
Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit and loss
Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net loss.

The Company has made an irrevocable election under IFRS 9 to classify its investments in equity securities at fair value through profit and loss. This election is available on an instrument-by-instrument basis. Previously these investments were classified as available-for-sale under IAS 39. Changes in the fair value of these investments are recognized in the statement of loss. On adoption of IFRS 9, the Company recorded an adjustment of $17,358 to opening deficit with a corresponding decrease in accumulated other comprehensive loss to reclassify the accumulated losses in these investments to accumulated deficit.

Classification
The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs. The Company's financial assets include cash and cash equivalent, amounts receivable and marketable securities.

Recognition and measurement
Purchases and sales of marketable securities are recognized on the transaction date. Marketable securities are initially recognized at fair value plus transaction costs.

Subsequent to initial recognition, all marketable securities are measured at FVTPL. Gains and losses arising from the changes in fair value of the securities are presented in the statement of loss as the net unrealized gains or losses in the period they arise.

Determination of fair values
The determination of fair value requires judgement and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of securities based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period.

Disposition of marketable securities
Realized gains or losses on the disposal of securities and unrealized gains and losses on securities classified as FVTPL are reflected in profit or loss on the transaction date and are calculated on a weighted average cost basis.

Impairment of financial assets
Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine if there is any indication of impairment. As at December 31, 2018, the fair values of the financial assets approximate their amortized costs due to their short-term nature.

Financial instruments recorded at fair value
Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2018, marketable securities valued at $10,407 (2017 - $3,604) were measured using Level 1 inputs.

<u>Financial liabilities</u>
Financial liabilities are measured at amortized cost.

Amortized cost
Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective yield basis is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

As at December 31, 2018, the fair values of accounts payable and accrued liabilities approximate their amortized costs due to the short-term nature of the financial liabilities.

Derecognition of financial liabilities
The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

(o) New and amended standard adopted by the Company

The following standard was adopted by the Company as of January 1, 2018. The impact of the adoption of this standard and the new accounting policies are disclosed below.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 replaced the provisions of IAS 39 *Financial Instruments, Recognition and Measurement* ("IAS 39") and was effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The adoption of IFRS 9 on January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The Company has applied the changes in accounting policies modified retrospectively: however, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The reclassifications and adjustments are recognized in the statement of financial position as at January 1, 2018.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

The following table summarizes the changes in the classification of the Company's financial instruments upon adoption of IFRS 9. The adoption of the new classifications did not result in any changes in the measurement or carrying amount of the financial instruments.

Financial Assets	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale financial assets	FVTPL
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(p) Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2018 reporting period. Management believes the following standards will not have a significant impact on the Company's financial statements:

IFRS 16 Leases ("IFRS 16")

IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting. Based on current analysis, IFRS 16 is not expected to have a financial statement impact on the Company's statement of financial position at transition on January 1, 2019, with no material impact on 2019 net loss.

IFRIC 23 Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. The Company does not expect IFRS 23 to have a material impact on its financial statements.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 9 of the financial statements.

Share-based compensation
Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 11(b) of the financial statements.

4. Cash and cash equivalents

As at December 31, 2018 and 2017, cash and cash equivalents of $351,991 and $1,174,271, respectively, were held in cash deposits in Canadian banks.

5. Amounts receivable

Amounts receivable comprise the following:

		2018		2017
Subscription receivable	$	-	$	199,000
Taxes recoverable		**73,133**		41,342
Other		**1,695**		4,281
	$	**74,828**	$	244,623

6. Marketable securities

The following is a summary of the Company's marketable securities:

		2018		2017
Equity securities	$	**10,407**	$	3,604

7. Equipment

The following tables summarize the Company's fixed asset carrying values as at December 31, 2018 and 2017, respectively:

			2018			
		Cost		**Accumulated depreciation**		**Carrying value**
Exploration equipment	$	83,739	$	(82,669)	$	1,069
Vehicles		52,012		(30,097)		21,915
	$	135,751		(112,766)	$	22,984

			2017			
		Cost		**Accumulated depreciation**		**Carrying value**
Exploration equipment	$	83,739	$	(81,600)	$	2,139
Vehicles		38,709		(14,516)		24,193
	$	122,448		(96,116)	$	26,332

		2018		2017
Balance, January 1,	$	**26,332**	$	4,277
Additions		**13,302**		38,709
Depreciation		**(16,650)**		(16,654)
Balance, December 31,	$	**22,984**	$	26,332

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

		2018		2017
Accounts payable	$	**608,525**	$	245,164
Accrued liabilities		**68,284**		209,363
	$	**676,809**	$	454,527

9. Deferred premium on flow-through shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the statements of comprehensive loss (income) on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

The following table sets out the changes to the deferred premium balances:

		2017 F/T Series		2016 F/T Series		Total
Balance, January 1, 2017	$	-	$	73,654	$	73,654
Recognition of deferred premium		92,400		-		92,400
Decrease of deferred premium		-		(73,654)		(73,654)
Balance, December 31, 2017	$	92,400	$	-	$	92,400
Decrease of deferred premium		(89,509)		-		(89,509)
Balance, December 31, 2018	**$**	**2,891**	**$**	-	**$**	**2,891**

10. Provision for flow-through shares

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has proposed an adjustment to the amount of qualifying expenditures that were renounced to subscribers aggregating approximately $2,500,000. In addition, CRA has assessed additional Part XII.6 tax of $255,043 to the Company in connection with the shortfall which was paid in January 2017.

As at December 31, 2018, there is a provision of $1,037,402 (2017 - $1,057,067) representing the maximum amount of tax and penalties related to the 2013 and 2018 shortfall in flow-through eligible exploration expenditures. The Company does not intend to appeal the penalty and taxes imposed by CRA for the years 2010 to 2013. The Company is evaluating the repayment terms. During the year ended December 31, 2018, the Company made cash payments of $7,121 and issued 617,882 common shares valued at $30,894 to settle flow-through obligations. In addition, the Company recorded an additional provision of $18,350 related to a shortfall in qualifying expenditures for the year ended December 31, 2018.

11. Shareholders' deficiency

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of Class "A" common shares (issued 85,142,965 common shares (2017 – 83,300,083)) having no par value.

During the year ended December 31, 2018, the Company issued 1,842,882 common shares (2017 – 45,660,346) as follows:

On October 5, 2018, the Company issued 500,000 common shares valued at $20,000 pursuant to the Sudbury properties agreements *(See note 12 - Mineral Properties).*

On September 25, 2018, the Company issued 617,882 common shares to settle $30,894 in connection with the provision for flow-through shares.

On February 1, 2018, the Company issued 725,000 units pursuant to the Holdsworth Property *(See Note 12 – Mineral Properties).* Each unit comprised one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of $0.30 and a 3-year term from the date of issue.

December 2017 financing
On December 19, 21 and 22, 2017, respectively, the Company closed a private placement offering, pursuant to which it issued a total of 9,240,000 flow-through units at a price of $0.10 per unit for proceeds of $924,000 and 2,350,000 non-flow-through units at a price of $0.09 per non-flow- through unit for proceeds of $211,500, for aggregate proceeds of $1,135,500. Each flow-through unit comprised one Class A common share in the capital of the Company issued on a flow-through bases within the meaning of such term in the Income Tax Act (Canada) and one-half of one non-flow-through Class A common share purchase warrant, with each full warrant exercisable to acquire one non-flow-through Class A common share at a price of $0.15 per share for a period of 24 months following the closing of the offering, with each warrant having a fair value of $0.07 *(See Note 11(c) - Warrants).* Each non-flow-through unit comprised one Class A common share and one whole Class A common share purchase warrant, with each such warrant exercisable to acquire one non-flow through Class A common share at a price of $0.12 per share for a period of 24 months following the closing of the offering, with each warrant having a fair value of $0.074 *(See Note 11(c) - Warrants).* The Company recognized a deferred premium on the flow-through share issuance of $92,400 (2017 - $73,654) *(See Note 9 – Deferred premium on flow-through shares).*

In connection with the offering, the Company paid finders' fees equal to 8% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or $68,560, and issued compensation options equal to 8% of the number of flow-through and non-flow-through units sold, or 927,200 compensation options. The compensation options are exercisable to acquire one non-flow through unit for a period of 24 months from the date of issuance thereof at a price of $0.09 per unit, with each compensation option having a fair value of $0.079 *(See Note 11(c) - Warrants).*

August 2017 financing
On August 4, 2017, the Company closed a private placement offering, pursuant to which it issued a total of 5,000,000 common shares at a price of $0.10 for gross proceeds of $500,000.

March 2017 financing
On March 6 and 7, 2017, the Company closed the final tranche of its private placement offering, pursuant to which it issued a total of 2,842,858 flow-through units at a price of $0.07 per unit and 2,605,999 non-flow-through units at a price of $0.07 per unit for gross proceeds of $381,420. Each flow-through unit and each non-flow-through unit consists of one common share and one non-flow-through warrant. Each warrant is exercisable to acquire one common share at a price of $0.10 per share for a period of 36 months from issuance, with each warrant having a fair value of $0.162 *(See Note 11(c) - Warrants).* In connection with the offering, the Company paid finders fees equal to 9% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or approximately $31,178 and has issued compensation options equal to 9% of the units sold to investors introduced to the Company by such finders, or 445,398 compensation options. Each compensation option is exercisable to acquire one non-flow-through unit at a price of $0.10 per unit for a period of five years from date of issuance, with each compensation option having a fair value of $0.17 *(See Note 11(c) - Warrants).*

January 2017 financing
On January 27, 2017 the Company closed the second tranche of a non-brokered financing for total gross proceeds of $303,000 through the issuance of 5,050,000 units at a price of $0.06 per share. Each unit consisted of one share and one common share purchase warrant. Each whole warrant is exercisable for one share at a price of $0.10 per share for a period of three years from the date of issue, with each warrant having a fair value of $0.066 *(See Note 11(c) - Warrants)*. In connection with this tranche of offering, the Company paid $13,500 cash commission and issued 450,000 non-transferable compensation options entitling the holder to acquire one common share for a price of $0.07 per share with an expiry date of five years from date of issuance, with each compensation option having a fair value of $0.07 *(See Note 11(c) - Warrants)*.

Shares for Debt
The Company has settled or agree to settle certain of its flow-through mining expenditure obligations relating to its obligation to indemnify certain subscribers in respect of tax and penalties payable in connection with the reassessment of such purchasers' tax returns.

During the year ended December 31, 2018, the Company issued 617,882 common shares (2017 – 813,845) valued at $30,984 (2017 - $73,745) to settle a flow-through obligation.

Shares issued for properties
Under the Sudbury Property agreements, the Company issued 500,000 common shares valued at $20,000 *(see note 12 - Mineral Properties)*.

On May 3, 2017, the Company agreed to acquire the Holdsworth Property *(See note 12 – Mineral Properties)* by issuing 5,500,000 units. Each unit shall consist of one common share and one share purchase warrant. Each share purchase warrant shall be exercisable at a price of $0.30 for a period of 36 months from the date of issue. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

The fair values of the common shares and warrants issuable under the Purchase Agreement was $990,000 and $909,502, respectively, *(See Note 11(c) - Warrants)*. As at December 31, 2018, the Company had issued 5,225,000 units under the Purchase Agreement.

(b) Stock Options

The Company has a stock option plan (the "Plan") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

During the year ended December 31, 2018, the Company granted 2,825,000 stock options (2017 – 3,466,500) to directors, employees and officers at a weighted average exercise price of $0.09 (2017 - $0.18). These three-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $175,330 (2017 - $600,050) and has been included in the statement of loss and comprehensive loss for the year ended December 31, 2018.

The fair value of the stock options was calculated using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free rate – 2.03% (2017 – 0.6%); volatility – 315.7% (2017 – 228%); expected life – 5.0 years (2017 – 5.0 years); dividend yield - 0% (2017 – 0%) and forfeiture rate - 0% (2017 – 0%), and resulted in a weighted average fair value of $0.06 per stock option (2017 - $0.17 per stock option).

Stock options to purchase common shares of the Company that have been granted in accordance with the Plan are as follows:

	2018			2017		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Stock options outstanding, beginning of year	**3,834,500**	**$**	**0.26**	656,000	$	1.28
Granted	**2,825,000**	**$**	**0.09**	3,466,500	$	0.18
Expired	**(368,000)**	**$**	**1.00**	(288,000)	$	1.64
Cancelled	**(275,000)**	**$**	**0.18**	-	$	-
Stock options outstanding, end of year	**6,016,500**	**$**	**0.13**	3,834,500	$	0.26
Exercisable stock options, end of year	**6,016,500**	**$**	**0.13**	3,834,500	$	0.26

Options to purchase common shares outstanding at December 31, 2018, exercise prices and weighted average lives to maturity are as follows:

Exercise price		**Options outstanding**	**Options exercisable**	**Weighted average life (years)**
$	0.175	3,191,500	3,191,500	3.39
$	0.075	300,000	300,000	4.14
$	0.090	2,525,000	2,525,000	4.55
		6,016,500	6,016,500	3.91

(c) *Warrants*

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

Warrants have been granted pursuant to equity financings as follows:

	2018			2017		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Warrants outstanding, beginning of year	**32,562,209**	**$**	**0.12**	8,028,318	$	0.10
Issued	**725,000**	**$**	**0.30**	26,291,455	$	0.11
Exercised	**-**	**$**	**-**	(1,757,564)	$	0.10
Warrants outstanding, end of year	**33,287,209**	**$**	**0.12**	32,562,209	$	0.12

The fair value of the warrants was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	**1.470%**	0.896%
Expected stock volatility	**213.26%**	196.96%
Expected life	**3.00**	2.75
Dividend yield	**0%**	0%

Warrants to purchase common shares outstanding at December 31, 2018, exercise prices and weighted average lives to maturity are as follows:

Grant Date	Expiry Date	Exercise Price		Number Outstanding	Fair Value	
December 30, 2016	December 30, 2019	$	0.10	7,265,429	$	198,467
December 30, 2016	December 30, 2021	$	0.07	505,325		34,969
January 12, 2017	January 12, 2020	$	0.15	2,500,000		139,250
January 21, 2017	January 21, 2020	$	0.10	3,550,000		88,152
January 21, 2017	January 21, 2022	$	0.06	450,000		31,365
March 7, 2017	March 7, 2020	$	0.10	5,448,857		134,500
March 7, 2017	March 7, 2022	$	0.07	445,398		75,360
June 8, 2017	June 8, 2020	$	0.30	3,800,000		628,383
August 4, 2017	August 4, 2020	$	0.30	700,000		115,755
December 22, 2017	December 22, 2019	$	0.15	4,620,000		295,766
December 22, 2017	December 22, 2019	$	0.12	2,350,000		77,461
December 22, 2017	December 22, 2019	$	0.09	927,200		73,332
February 1, 2018	February 1, 2021	$	0.30	725,000		119,889
		$	0.14	33,287,209	$	2,012,649

12. Mineral properties

The Company has ownership interests in the several exploration projects. The Sudbury projects are the main focus of exploration.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

		Sudbury		Holdsworth		Charlevoix		Other		Total
Balance, January 1, 2018	$	-	$	2,994,174	$	687,060	$	9,824,922	$	13,506,156
Property acquisition costs		57,500		-		-		-		57,500
Exploration expenditures		494,218		216,494		2,158		144,741		857,610
Balance, December 31, 2018	**$**	**551,718**	**$**	**3,210,668**	**$**	**689,218**	**$**	**9,969,663**	**$**	**14,421,266**
Balance, January 1, 2017	$	-	$	-	$	-	$	9,604,093	$	9,604,093
Property acquisition costs		-		2,213,750		630,000		-		2,843,750
Exploration expenditures		-		780,424		57,060		220,829		1,058,313
Balance, December 31, 2017	$	-	$	2,994,174	$	687,060	$	9,824,922	$	13,506,156

Sudbury Property

On July 18, 2018, the Company announced it acquired an option to earn 100% interests in the Jovan and Powerline properties. The purchase price was structured to be payable over a three-year period and included cash payments totaling $225,000, the issuance of commons shares valued at $180,000 and the commitment to spend up to $800,000 in exploration activities.

The Company made a cash payment of $37,500 upon signing the definitive agreements. On October 5, 2018, the Company issued 500,000 common shares, valued at $20,000 pursuant to the definitive agreement.

Holdsworth Property

On December 7, 2016 ("the "Effective Date"), the Company entered into an Option and Joint Venture ("JV") agreement ("the Option Agreement") with Noble Mineral Exploration Inc. ("Noble"), to advance exploration on Noble's Wawa-Holdsworth Gold and Silver Project (the "Holdsworth Project"), located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company will have the right to earn up to an undivided 75% interest in the Project, comprising of a first option to earn a 51% base interest and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest ("the Base Interest") in the Holdsworth Project, the Company issued 2,500,000 of its Class A Common Shares and 2,500,000 share purchase warrants to Noble and must incur a minimum of $1,200,000 in expenditures in the 18-month period following the Effective Date. The share purchase warrants have an exercise price of $0.15 and expire 3 years from the date of issue. The Company issued the common shares and share purchase warrants on January 12, 2017. To earn the additional 24% undivided interest, the Company shall incur a further $1,000,000 of expenditures on or before the second anniversary of the date the 51% interest is exercised and the Base Interest is earned and make a payment of $100,000 to Noble.

On May 3, 2017, the Option Agreement was replaced with a purchase agreement whereby the Company agreed to acquire the Holdsworth Project from Noble (the "Purchase Agreement"). The purchase price comprised the following: (i) 5,500,000 units of the Company; (ii) the granting a 1.5% net smelter return royalty in favour of Noble and (iii) the payment of the equivalent of 5,000 ounces of gold once a mineral reserve or resource has been identified compliant with National Instrument 43-101 guidelines. Each unit shall comprise one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of $0.30 and a 3-year term from the date of issue. The Purchase Agreement supersedes the Option Agreement. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

As at December 31, 2018, the Company had issued 5,225,000 units to Noble under the Purchase Agreement.

Charlevoix - Silica Property

On November 18, 2016, (the "Effective Date") the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain 6 mining claims located in the Province of Quebec known as the Charlevoix Siliva Property. In consideration for the purchase of the mining claims, the Company issued 9,000,000 common shares on January 12, 2017 valued at $0.07 per share.

McFaulds Lake and Area Properties

The Company has held property in this region of northern Ontario since 2004 and is subject to net smelter royalties ("NSR") on certain claims.

On August 5, 2016, the Company entered into an agreement with Noront Resources Ltd. ("Noront") to sell 75% interest of certain lands in the property through the issuance of 2,318,393 common shares of Noront at a deemed value of $750,000. On the date of the transaction, the fair value of the shares received was $799,846. The Company has a 25% carried interest in the property until such time as an Inferred Mineral Resource has been filed on the property by Noront in accordance with NI43-101, at which time ("the Notification Date") a Joint Venture shall automatically be deemed to be formed between Noront and the Company.

The Company shall have twenty business days following the Notification Date (the "Conversion Right Exercise Period") in which to make a one-time election to transfer its 25% carried interest in the Property to Noront in exchange for a 1% NSR on the property.

If the Company fails to exercise the Conversion Right within the Conversion Right Exercise Period, Noront shall have the option (the "Buy-Back Option"), exercisable for twenty days following the expiry of the Conversion Right Exercise Period, to elect to purchase the Company's 25% carried interest in the Property for a purchase price of $3,000,000 (the "Buy-Back Purchase Price"), payable in cash or Noront shares at the option of Noront.

During the year ended December 31, 2016, the Company completed a Mineral Property Acquisition Agreement with KWG Resources Inc. ("KWG") to sell the mineral claims known as the Hornby Property. In consideration of the claims sold, KWG issued 4,000,000 of its common shares to the Company. On the date of the transaction, the fair value of the shares received was $78,600. MacDonald Mines retains a 2% net smelter return ("NSR") on the Hornby Property. KWG can purchase one percent (1%) of the NSR, at any time prior to commencement of production from the claims, by making a cash payment of $1,000,000 to the Company. KWG retains the first right of refusal to purchase the NSR on similar transaction terms should the Company, at its sole discretion, elect to sell the entire (or any part) of the 2% NSR to a bona-fide third party.

Bob Lake Property
To acquire the property, the Company paid $75,000, issued 2,850,000 common shares valued at $194,000 and 300,000 now expired share purchase warrants.

13. Related party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team. The executive management team comprises the President and Chief Executive Office, Chief Financial Officer and Vice-President Exploration.

Compensation for key management personnel of the Company was as follows:

		2018		2017
Short-term benefits(1)	$	**96,638**	$	171,435
Share-based payments(2)		**125,847**		307,252
	$	**222,485**	$	478,687

(1) Includes salary and professional fees.
(2) Represents the expense of stock options vested during the year.

As of December 31, 2018, the following related party balances were outstanding:

Included in accounts payable and accrued liabilities is an amount of $216,004 (2017 - $202,311) related to exploration, rent and general & administrative charges from a company under common management. On June 6, 2018, the Company made a payment of $57,801 to a company under common management as repayment for a loan with a principal amount of $50,000 and accrued interest $7,801.

14. Income taxes

A reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

		2018		2017
Net income (loss)	$	**(1,382,729)**	$	(5,095,400)
Expected income tax (recovery) expense		**(366,420)**		(1,350,280)
Reconciling items:				
Adjustment to losses not previously recognized		**26,400**		78,830
Permanent differences		**(24,600)**		383,720
Share issuance costs		**-**		(101,980)
Effect of flow-through renunciation		**244,860**		136,630
Flow-through share premium		**-**		(19,520)
Share-based compensation		**46,460**		159,010
Change in tax benefits not recognized		**73,300**		713,590
Net income tax expense	$	**-**	$	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2018		2017
Mineral properties	$	14,656,200	$	14,670,151
Non-capital losses		10,697,500		10,192,870
Marketable securities		906,190		912,998
Investment tax credits		911,650		911,653
Share issue costs		287,750		379,002
Capital losses		47,710		272,822
Property, plant and equipment		212,430		219,265

The Canadian non-capital loss carry forwards expire as noted in the table below. The capital loss carry forwards may be carried forward indefinitely, but can only be used to offset capital gains. Share issuance and financing costs will be fully amortised in 2021. The investment tax credits will expire from 2029 to 2032. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

Year		Amount
2026	$	469,170
2027		665,050
2028		1,223,960
2029		1,155,540
2030		1,840,700
2031		1,038,320
2032		1,540,520
2033		779,160
2034		230,010
2035		-
2036		372,020
2037		871,680
2038		511,340
Total	**$**	**10,697,500**

15. Commitments and contingencies

Flow-through expenditure commitment

The Company completed flow-through share financings that involve a commitment to incur Canadian exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitment as at December 31, 2018 was $28,890 (2017: $924,000). As at December 31, 2018, the Company had a shortfall of CEEs of $28,890 (2017 - $Nil) and recorded a flow-through provision of $18,350.

16. Capital management

As of December 31, 2018, the Company had a working capital of deficit of $1,279,876 (2017 - $126,719).

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded exclusively by the issuance of additional equity.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

17. Financial instrument risk factors

The following disclosures are to enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's amounts receivable related to sales taxes have negligible counterparty default risk. The Company's amounts receivable related to companies related by common management are subject to counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at December 31, 2018, the Company had a cash balance of $351,991 (2017 - $1,174,271) to settle current liabilities of $1,717,102 (2017 - $1,660,662). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.