MURCHISON MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

Independent Auditor's Report

To the Shareholders of Murchison Minerals Ltd.

Opinion

We have audited the consolidated financial statements of Murchison Minerals Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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. 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.

Other information

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

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

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

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

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

The engagement partner of the audit resulting in this independent auditor's report is Koko Yamamoto.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 6, 2019

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash	$ 1,176,697	$ 4,394,940
Amounts receivable and prepaid expenses (Note 6)	160,659	39,246
Total current assets	1,337,356	4,434,186
Investment (Note 7)	2,110	5,339
Total assets	**$ 1,339,466**	**$ 4,439,525**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 13)	$ 138,199	$ 122,862
Flow-through share premium liability (Notes 9 and 14)	41,667	905,490
Total liabilities	179,866	1,028,352
EQUITY		
Share capital (Note 9)	28,895,886	28,802,248
Reserves (Notes 10 and 11)	1,266,467	1,840,068
Deficit	(29,002,753)	(27,231,143)
Total equity	1,159,600	3,411,173
Total equity and liabilities	**$ 1,339,466**	**$ 4,439,525**

Nature and Continuance of Operations (Note 1)
Commitments and Contingencies (Note 14)
Subsequent Events (Note 15)

Approved on Behalf of the Board:

"signed"
Jean-Charles Potvin
Director

"signed"
Denis Arsenault
Director

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

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended December 31,

	2018	2017
EXPENSES		
Exploration expenses	$ 2,371,300	$ 1,156,265
Professional fees	100,091	104,270
Management fees and salaries (Note 13)	509,738	178,894
Office and general	37,628	28,670
Regulatory and transfer agent	49,639	27,047
Investor relations	213,992	97,301
Share-based payments (Notes 11 and 13)	245,385	-
Loss before the under noted	**3,527,773**	**1,592,447**
Interest income	(25,070)	(10,601)
Foreign exchange (gain) loss	(9,846)	10,161
Flow-through shares premium	(905,490)	(407,000)
Unrealized loss on marketable securities (Note 7)	3,229	1,981
Gain on disposal of property and equipment	-	(7,182)
Loss for the year	**$ 2,590,596**	**$ 1,179,806**
Loss per share - basic and diluted	**$ 0.06**	**$ 0.05**
Weighted average number of common shares outstanding - basic and diluted	42,561,479	25,943,709

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

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in Canadian Dollars)

		Reserves			
	Share Capital	Equity settled share-based payments reserve	Warrants reserve	Deficit	Total
Balance, December 31, 2016	**$ 26,587,242**	**$ 654,298**	**$ 783,346**	$ **(26,107,369)**	**$ 1,917,517**
Net loss for the year	-	-	-	(1,179,806)	(1,179,806)
Expiry of stock options	-	(56,032)	-	56,032	-
Issuance of warrants and finders' warrants (net of issue costs)	-	-	458,456	-	458,456
Issuance of common shares (net of issue costs)	2,215,006	-	-	-	2,215,006
Balance, December 31, 2017	**$ 28,802,248**	**$ 598,266**	**$ 1,241,802**	**$ (27,231,143)**	**$ 3,411,173**
Balance, December 31, 2017	**$ 28,802,248**	**$ 598,266**	**$ 1,241,802**	**$ (27,231,143)**	**$ 3,411,173**
Net loss for the year	-	-	-	(2,590,596)	(2,590,596)
Issuance of common shares (net of issue costs)	93,638	-	-	-	93,638
Issuance of stock options	-	245,385	-	-	245,385
Expiry of stock options	-	(35,640)	-	35,640	-
Expiry of warrants	-	-	(783,346)	783,346	-
Balance, December 31, 2018	**$ 28,895,886**	**$ 808,011**	**$ 458,456**	**$ (29,002,753)**	**$ 1,159,600**

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

MURCHISON MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended December 31,

	2018	2017
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the year	$ (2,590,596)	$ (1,179,806)
Share-based payments	245,385	-
Flow-through shares premium	(905,490)	(407,000)
Unrealized loss on marketable securities	3,229	1,981
Gain on disposal of property and equipment	-	(7,182)
	(3,247,472)	(1,592,007)
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	(121,413)	17,293
Accounts payable and accrued liabilities	15,337	56,285
Net cash flows used by operating activities	(3,353,548)	(1,518,429)
INVESTING ACTIVITIES		
Proceeds on sale of property and equipment	-	187,182
Net cash flows provided by investing activities	-	187,182
FINANCING ACTIVITIES		
Issuance of securities	150,000	3,839,189
Issue costs	(14,695)	(260,237)
Net cash flows provided by financing activities	135,305	3,578,952
NET CHANGE IN CASH	**(3,218,243)**	**2,247,705**
CASH, BEGINNING OF THE YEAR	**4,394,940**	**2,147,235**
CASH, END OF THE YEAR	**$ 1,176,697**	**$4,394,940**
Supplemental non-cash information		
Finders' warrants issued for services	$ -	$ 114,460

1. NATURE AND CONTINUANCE OF OPERATIONS

Murchison Minerals Ltd. (the "Company" or “Murchison”) was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal business of the Company is the acquisition, exploration and evaluation of mineral property interests. The primary office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada, M5H 1T1.

The consolidated financial statements were approved by the Board of Directors on March 6, 2019.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at December 31, 2018, the Company has a cumulative deficit of $29,002,753 (December 31, 2017 - $27,231,143), continuing losses and is not yet generating positive cash flows from operations. These consolidated financial statements were prepared on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS"). Funding for operations has been obtained primarily through private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for investment which has been presented at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (continued)

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Pearl Mining (U) Ltd. (Uganda) and Flemish Investments Ltd. (Uganda), both subsidiaries of the Company have been dissolved effective June 29, 2018 and as at December 31, 2018, Flemish Investments Burundi SA (Burundi) was inactive.

The following companies have been consolidated within these consolidated financial statements:

Company	Registered	Principal activity
Murchison Minerals Ltd.	Ontario, Canada	Parent company
Flemish Gold Corp.	Ontario, Canada	Exploration company
Pearl Mining (U) Ltd. [(1)]	Uganda, Africa	Exploration company
Flemish Investments Ltd. (Uganda)[(1)]	Uganda, Africa	Exploration company
Flemish Investments Burundi SA[(1)]	Burundi, Africa	Exploration company

[(1)] 100% owned by Flemish Gold Corp.

Foreign currencies

The functional currency, as determined by management of the Company and each of its subsidiaries is the Canadian Dollar. For the purposes of the consolidated financial statements, the results and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period-end exchange rates are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Financial instruments

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

A financial asset is classified as fair value through profit and loss ("FVPL") if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Realized and unrealized gains and losses are reflected in the statement of loss. Transaction costs associated with FVPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has designated its investments in marketable securities as FVPL.

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction 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 or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Impairment of financial assets:

Financial assets 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; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated 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 quoted prices (unadjusted) 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 (unobservable inputs).

As at December 31, 2018, the Company's *Investment* on the consolidated statement of financial position was recorded at Level 1 with a fair value of $2,110 (December 31, 2017 - $5,339).

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to a periodic impairment assessment. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation properties

The acquisition costs of exploration and evaluation properties are expensed the consolidated statements of loss in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources.

The acquisition costs of exploration and evaluation properties include the cash consideration and the estimated fair market value of share-based payments issued for such property interests.

Exploration costs are expensed in the period incurred. Option payments which are solely at the Company's discretion are recorded as acquisition costs as they are made. Administrative expenditures are expensed in the period incurred.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, on hand and short-term money market investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company. When cash and cash equivalents include an amount to be incurred in relation to a flow-through commitment, an amount equal to the minimum commitment is kept in a separate bank account. As at December 31, 2018 and 2017, the Company had no cash equivalents.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2018 and December 31, 2017.

Property and equipment

Property and equipment are carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amortization is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Rate	Method
Exploration equipment	33%	Declining
Computer equipment	3 years	Straight-line
Office equipment	20%	Declining

The Company sold its exploration equipment and office equipment located in Africa in February 2017 for $180,000. The equipment was classified as held for sale on the statement of financial position as at December 31, 2016 and was presented at the carrying value which is the lower of its carrying amount and its estimated fair value less costs to sell, as determined by management.

Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense over the vesting period 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, including directors of the Company.

The fair value is measured at the grant date and recognized 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 reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Unexercised expired and modified stock option values are transferred to deficit.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

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.

Equity

Share capital, stock options, warrants and broker units are classified as equity. Incremental costs directly attributable to the issuance of shares, warrants and broker units are recognized as a deduction from equity and allocated between share capital and warrants. Expired stock options and warrants are transferred to deficit.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss when the eligible expenditures are incurred. The amount recognized as a flow-through share related liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. The Company indemnifies the subscribers of flow-through shares for additional taxes payable by the subscribers if the Company does not meet its expenditure requirements.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for 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. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at December 31, 2018 and December 31, 2017 as the disturbance to date is minimal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

The Company presents 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. The 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 warrants, finders' warrants and stock options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options, warrants and finders' warrants as they are anti-dilutive. See Notes 10 and 11.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Unexercised expired warrants are transferred to deficit.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges

  In the determination of carrying values and impairment charges, management looks at the recoverable amount, being the higher of value in use and fair value less costs to sell in the case of non-financial assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Income and other taxes

  Income, value added, withholding and other taxes The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The Company currently estimates the expected volatility of its common shares based on historical volatility taking into consideration the expected life of the options and warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and change in accounting policies

During the year ended December 31, 2018, the Company changed its accounting policy for mineral exploration properties to expense acquisition costs in the statements of loss and comprehensive loss in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources. Management judges that the change in accounting policy will result in clearer, more relevant and reliable financial information.

The previous accounting policy was to capitalize costs to acquire exploration and evaluation property interests in respect of each identifiable area of interest, once the legal right to explore had been acquired.

The impact of this change had no material impact on the previously reported financial statements as at January 1, 2017 and December 31, 2017 and for the year ended December 31, 2017.

New and change in accounting policies (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments ("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 an entity concludes it is probable 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 consistently with the tax treatment used or planned to be used in its income tax filings. If an 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 is effective for annual periods beginning on or after January 1, 2019. At January 1, 2018, the Company adopted this amendment and there was no material impact on the Company's consolidated financial statements.

New accounting standards not yet adopted

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

3. CAPITAL MANAGEMENT (Continued)

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit which at December 31, 2018 totalled $1,159,600 (December 31, 2017 - $3,411,173). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2018 and 2017. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2018 and 2017.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash balances and amounts receivable. Cash is held with reputable banks, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of sales tax receivable and refundable tax credits from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had a cash balance of $1,176,697 (December 31, 2017 - $4,394,940) to settle accounts payable and accrued liabilities of $138,199 (December 31, 2017 - $122,862). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is minimal as cash and cash equivalents investments have maturities of three months or less.

Foreign currency risk
The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. As at December 31, 2018, approximately $147,851 of cash was held in US dollars (December 31, 2017 - $194,487). Approximately $nil (December 31, 2017 - $930) of accounts payable was held in US dollars.

(Expressed in Canadian Dollars)

4. FINANCIAL RISK FACTORS (Continued)

Commodity price risk
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of commodities. Commodity prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of base and/or precious metals may be produced in the future, a profitable market will exist for them. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. As at December 31, 2018, the Company is not a commodities producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience, the Company believes the following movements are "reasonably possible" over a one-year period:

(i) Based on cash and other working capital balances at December 31, 2018, held in currencies other than the Canadian dollar, a 10% change in the foreign exchange rates relative to the Canadian dollar would result in a corresponding foreign exchange gain or loss of approximately $15,150.

(ii) Based on cash balances earning interest at December 31, 2018, a 1% change in interest rates would result in a corresponding interest income change of approximately $10,300 for the one-year period.

5. CATEGORIES OF FINANCIAL INSTRUMENTS

	December 2018	December 2017
Financial assets:		
Amortized cost		
Cash	$ 1,176,697	$ 4,394,940
Amounts receivable	816	-
FVPL		
Investment	2,110	5,339
Financial liabilities:		
Amortized cost		
Accounts payable and accrued liabilities	$ 138,199	$ 122,862

As of December 31, 2018 and December 31, 2017, the fair value of all the Company's current financial instruments approximates the carrying value, due to their short-term nature.

(Expressed in Canadian Dollars)

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 2018	December 2017
Sales tax receivable	$ 75,493	$ 26,124
Other receivable	816	-
Prepaid expenses and advances	84,350	13,122
	$ 160,659	$ 39,246

7. INVESTMENT

The Company's investment is classified as fair value through profit and loss ("FVPL") and is carried at fair value. The balance is comprised of the following:

	Number of shares	December 2018	December 2017
First Mining Gold Corp.	8,612	$ 2,110	$ 5,339

The Company holds 8,612 (2017 – 8,612) common shares of First Mining Gold Corp. The unrealized loss of $3,229 for the year ended December 31, 2018 (2017 – $1,981) was recognized on the consolidated statement of loss.

8. EXPLORATION AND EVALUATION PROPERTIES

Canada

Brabant Lake Property – Saskatchewan

As at December 31, 2018, the Company held a 100% interest in certain claims forming the Brabant Lake property in Saskatchewan.

Pickle Lake Properties - Ontario

The Company holds a 51% interest in the Dorothy-Dobie Lake property and the Kasagiminnis property, both located in the Pickle Lake Greenstone Belt. The Company also has a 100% interest in the Pickle Lake Gold property which comprises certain claims acquired in 2009.

In June 2016 (with amendment on February 2, 2017), the Company entered into an agreement with White Metal Resources Corp. ("White Metal") whereby White Metal can acquire all of the Company's interest ("Earned Interest") in its above Pickle Lake Gold properties. White Metal may exercise the option and acquire the Earned Interest by completing all of the following expenditures and cash payments:

(i) pay $10,000 at the signing of the agreement (received);
(ii) pay $15,000 on or before the date which is 12 months from the date of the agreement (received);
(iii) pay $20,000 on or before the date which is 24 months from the date of the agreement. (received)

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION PROPERTIES (Continued)

(iv) spend $1,200,000 over three years beginning on the date of the agreement as follows:

i. complete a work commitment of $900,000 on or before the date which is twenty-four (24) months from the date of the agreement (with at least $250,000 on drilling);
ii. complete a cumulative work commitment of $1,200,000 on or before the date which is thirty-six (36) months from the date of the agreement (with at least $700,000 on drilling).

(v) once the Earned Interest is completed, Murchison will be entitled to a 1% net smelter return (the “NSR”) of which fifty percent (50%) can be purchased by White Metal for $1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for $1,500,000.

Upon completion of the option payments and expenditures, White Metal will deliver a notice to the Company setting out that it has exercised the option, and the date of the option notice shall be deemed to be the date in which White Metal’s Earned Interest in the properties pursuant to the option shall be effective, subject to the Murchison’s NSR.

On July 27, 2017, White Metal assigned its option and right to acquire the Earned Interest to Ardiden Ltd., an Australian exploration company.

In August 2014, the Company entered into an agreement with Frontline Gold Corporation ("FGC") and White Metal whereby FGC acquired 100% of the Company's 51% interest and the 49% interest held by White Metal in two claims known as the Pickle Lake East property. The claims will be subject to a 2% NSR (1% for the Company and 1% to White Metal for which 0.5% can be purchased for $500,000 from each of White Metal and the Company).

<u>HPM Property - Quebec</u>

As at December 31, 2018, the property consisted of 51 claims on which Pure Nickel Inc. has a 50% interest. See Note 15.

9. SHARE CAPITAL

(a) Authorized Share Capital

The Company’s authorized share capital consists of an unlimited number of common shares.

(b) Issued

Balance - December 31, 2016	**25,290,095**	**$**	**26,587,242**
Issuance of common shares (i)	7,539,000		1,507,800
Issue costs (i)	-		(106,772)
Warrants (i)	-		(401,180)
Issuance of flow-through shares (ii)	9,714,119		2,331,389
Issue costs (ii)	-		(210,741)
Flow-through premium (ii)	-		(905,490)
Balance – December 31, 2017	**42,543,214**	**$**	**28,802,248**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

Balance - December 31, 2017	**42,543,214**	**$**	**28,802,248**
Issuance of flow-through common shares [iii]	1,666,667		150,000
Issue costs [iii]	-		(14,695)
Flow-through premium [iii]	-		(41,667)
Balance – December 31, 2018	**44,209,881**	**$**	**28,895,886**

(i) On December 15 and December 21, 2017, Murchison completed two tranches of a non-brokered private placement and issued respectively 6,389,000 and 1,150,000 units priced at $0.20 per unit for gross proceeds of $1,507,800. Each unit consisted of one common share and one-half common share purchase warrant with each full warrant exercisable at $0.24 for a period of 2 years from closing.

The fair value of the warrants was estimated at $401,180 using the Black-Scholes option model pricing with the following assumptions: expected dividend yield of 0%, expected volatility of 173% based on historical trading of the Company's shares, risk-free interest rate of 1.61%, expected life of 2 years and share price of $0.15.

Finders' fees of $92,400 were paid and 462,000 finders' warrants valued at $49,170 using the Black-Scholes option model pricing with the same assumptions in the paragraph above were issued. The finders' warrants are exercisable into common shares having the same terms as the private placement warrants at an exercise price of $0.24 for a period of two years.

Directors and officers of the Company acquired 3,800,000 units of the private placement for gross proceeds of $760,000. See Note 13.

(ii) On December 15 and December 21, 2017, Murchison completed two tranches of a non-brokered private placement and issued respectively 4,617,285 and 5,096,834 flow-through common shares priced at $0.24 per share for gross proceeds of $2,331,389 of which, $905,490 was allocated to the flow-through premium.

Finders' fees of $147,233 were paid and 613,470 finders' warrants valued at $65,290 using the Black-Scholes option model pricing with the same assumptions in the paragraph above were issued. The finders' warrants are exercisable into common shares having the same terms as the private placement warrants at an exercise price of $0.24 for a period of two years.

Directors and officers of the Company acquired 477,000 flow-through common shares for gross proceeds of $114,480. See Note 13.

(iii) On December 27, 2018, Murchison completed a non-brokered flow-through private placement and issued 1,666,667 flow-through common shares priced at $0.09 per share for gross proceeds of $150,000 of which, $41,667 was allocated to the flow-through premium. Finders' fees of $9,000 were also paid.

10. WARRANTS AND FINDERS' WARRANTS

The following summarizes the warrants and finders' warrants activity for the years ended December 31, 2018 and 2017:

	Number of Warrants		Grant Date Fair Value		Weighted Average Exercise Price
Balance - December 31, 2016	**7,818,000**	**$**	**783,346**	**$**	**0.30**
Issued December 15 and 21, 2017 - Warrants	3,769,500		401,180		0.24
Issued December 15 and 21, 2017 – Finders' Warrants	1,075,470		114,460		0.24
Issue costs	-		(57,184)		-
Balance – December 31, 2017	**12,662,970**	**$**	**1,241,802**	**$**	**0.28**

(Expressed in Canadian Dollars)

10. WARRANTS AND FINDERS' WARRANTS (Continued)

Balance - December 31, 2017	**12,662,970**	**$**	**1,241,802**	**$**	**0.28**
Expired	(7,818,000)		(783,346)		0.30
Balance – December 31, 2018	**4,844,970**	**$**	**458,456**	**$**	**0.24**

As at December 31, 2018, the Company had warrants and finders' warrants outstanding as follows:

Date of Grant	Number of Warrants	Exercise Price ($)	Grant Date Fair Value ($)	Expiry Date	Weighted Average Remaining Contractual Life (years)
December 15, 2017	3,879,942	0.24	364,495	December 15, 2019	0.96
December 21, 2017	965,028	0.24	93,961	December 21, 2019	0.97
	4,844,970		**458,456**		**0.96**

11. STOCK OPTIONS

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

The following summarizes the stock option activity for the years ended December 31, 2018 and 2017:

	Number of Stock Options	Weighted Average Exercise Price
Balance - December 31, 2016	**2,308,300**	**$ 0.42**
Expired	(174,500)	0.70
Balance December 31, 2017	**2,133,800**	**0.39**
Balance - December 31, 2017	**2,133,800**	**$ 0.39**
Granted	1,435,000	0.19
Expired	(66,000)	0.70
Balance – December 31, 2018	**3,502,800**	**0.30**

(i) On January 10, 2018, the Company granted 1,435,000 stock options exercisable at $0.19 for 5 years to directors, officers and consultants of the Company. The grant date fair value of the these options of $245,385 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 1.95%, expected volatility – 145%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the $245,385 fair value was recorded as share-based payment on the *Statement of Loss* for the year ended December 31, 2018.

(Expressed in Canadian Dollars)

11. STOCK OPTIONS (Continued)

As at December 31, 2018, the Company had incentive stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

Date of Grant	Options Outstanding[(1)]	Exercise Price ($)	Grant Date Fair Value ($)	Expiry Date	Weighted Average Remaining Contractual Life (years)
February 28, 2014	435,500	0.70	235,170	February 28, 2019	0.16
December 2, 2014	612,300	0.30	73,476	December 2, 2019	0.92
August 22, 2016	600,000	0.30	149,400	June 30, 2019	0.50
September 27, 2016	355,000	0.30	88,395	September 27, 2021	2.74
September 27, 2016	65,000	0.30	16,185	June 30, 2019	0.50
January 10, 2018	985,000	0.19	168,435	January 10, 2023	4.03
January 10, 2018	450,000	0.19	76,950	June 30, 2019	0.50
	3,502,800	**0.30**	**808,011**		**1.75**

(1) All options are exercisable.

12. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax to differ from the combined Canadian federal and provincial statutory rate of 27% (2017 - 27%) were as follows:

	2018 $	2017 $
Combined Canadian statutory income tax rate	27%	27%
Loss before income taxes	(2,590,596)	(1,179,806)
Expected income tax recovery based on the statutory rate	(694,000)	(316,000)
Adjustment to expected income tax benefit:		
Expiry of losses	-	3,053,000
Differences in tax rates and foreign exchange	(40,000)	198,000
Permanent differences and other	205,000	187,000
Deferred tax assets not recognized	529,000	(3,122,000)
Deferred income tax recovery	-	-

(Expressed in Canadian Dollars)

12. INCOME TAXES (Continued)

(b) Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018 $	2017 $
Capital losses	1,852,000	-
Non-capital losses	16,400,000	15,443,000
Resource properties	4,787,000	4,749,000
Share issue costs - Canada	236,000	311,000
Other	741,000	428,000
Total	24,016,000	20,931,000

Deferred tax assets have not been recognized in respect of these temporary differences as it is not probable that future taxable profit will be available against which the Company can use the benefits.

(c) As at December 31, 2018, the Company had approximately $4,787,000 (2017 - $4,749,000) of Canadian development and exploration expenses and foreign exploration and development expenses, which, under certain circumstances, may be utilized to reduce taxable income of future years.

(d) Tax loss carry-forwards

As at December 31, 2018, the Company had approximately $16,400,000 of non-capital losses in Canada, which may be used to reduce taxable income in future years. These losses expire from 2025 to 2038.

13. RELATED PARTY TRANSACTIONS

a) Remuneration of directors and the officers was as follows:

	2018	2017
Salaries and benefits	$ 509,738	$ 190,519
Share-based payments	211,185	-
	$ 720,923	**$ 190,519**

For the year ended December 31, 2018, the salaries and benefits amount above includes $111,250 (2017 - $104,719) for fees invoiced by a corporation controlled by the CFO of the Company for his services and $167,500 (2017 - $85,800) and $225,000 (2017 - $nil) for fees and termination payment respectively, invoiced by a corporation controlled by the former CEO of the Company for his services. Also in the salaries and benefits for the year ended December 31, 2018 is $5,988 (2017 - $nil) paid to the Interim CEO for his services as CEO. Included in accounts payable and accrued liabilities at December 31, 2018 is $10,374 (2017 - $20,780) owed to corporation controlled by the CFO and $6,247 (2017 - $nil) owed to the Interim CEO.

13. RELATED PARTY TRANSACTIONS (Continued)

b) Private Placement
As part of the private placement completed in December 2017, directors and officers of the Company acquired 3,800,000 units for gross proceeds of $760,000 and 477,000 flow-through common shares for gross proceeds of $114,480 (Note 9).

14. COMMITMENTS AND CONTINGENCIES

Flow-Through Obligation

As at December 31, 2018, the Company has to incur $150,000 in qualifying exploration expenditures by December 31, 2019 to meet its flow-through commitment. The Company keeps a separate bank account for the flow-through expenses to be incurred in a minimum amount equal to the flow-through obligation. At this time, management anticipates meeting that obligation and as a result, no additional provisions are required.

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Litigations

In May 2017, a former director of the Company filed a claim under the Toronto Small Claims Court in an amount of $23,720. In June 2017, the Company filed a Defense Statement as it believed the claim was without merit. The Company also filed a Defendant’s Claim against the former director in the amount of $25,000 for breach of fiduciary duty, negligence and negligent misrepresentation. The Company attended court on June 21, 2018 and on October 23, 2018, the judge rendered judgement in the matter and dismissed the former director’s claim and ruled in the Company’s favour in relation to its claims for breach of fiduciary duty, negligence and negligent misrepresentation. The Company received $10,500 from the former director as a final settlement.

15. SUBSEQUENT EVENTS

On February 28, 2019, 435,500 stock options exercisable at $0.70 expired unexercised.

On February 28, 2019, the Company announced the acquisition of the other 50% interest in the nickel-copper-cobalt HPM property held by joint venture partner Pure Nickel Inc. On March 5, 2019, as per the agreement and following the TSX Venture Exchange approval, the Company paid $50,000 and issued 500,000 common shares of the Company to Pure Nickel Inc.

On March 6, 2019, the Company granted 665,000 stock options to directors, officers and key consultants. The options are exercisable at $0.095 for 5 years and vest immediately.

End of Notes to Financial Statements