Cartier Resources Inc.

(an exploration company)

Financial statements

Years ended December 31, 2018 and December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cartier Resources Inc.

Opinion

We have audited the financial statements of Cartier Resources Inc. (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements of loss for the years then ended
- the statements of comprehensive loss for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity 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 ("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 **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit 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 Entity is still in exploration stage and, as such, no revenue has yet been generated from its operating activities. Accordingly, the Entity depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of Cartier Resources Inc. 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. Other information comprises:

- The information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 IFRS, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP*

The engagement partner on the audit resulting in this auditors’ report is Alain Bessette.

Montréal, Canada

April 18, 2019

*CPA auditor, CA, public accountancy permit No. A115894

Cartier Resources Inc.

(an exploration company)

Statements of Financial Position

(In Canadian $)	**December 31, 2018**	December 31, 2017
	$	$
Assets		
Current		
Cash and cash equivalents (note 3)	**7,572,963**	15,706,671
Other short-term financial assets (note 4)	**27,650**	31,600
Receivables (note 5)	**1,100,817**	242,315
Prepaid expenses	**118,286**	61,813
	8,819,716	16,042,399
Non-current		
Property, plant and equipment	**8,002**	6,944
Mining assets and deferred exploration costs (note 6)	**14,417,166**	13,515,566
TOTAL ASSETS	**23,244,884**	29,564,909
Liabilities		
Current		
Accounts payable and accrued liabilities	**324,110**	437,403
Liability related to flow-through shares (note 12)	**-**	1,700,938
	324,110	2,138,341
Non-current		
Deferred income and mining taxes (note 11)	**1,756,974**	1,741,953
TOTAL LIABILITIES	**2,081,084**	3,880,294
EQUITY		
Share capital (note 7)	**35,288,268**	35,255,308
Warrants	**183,985**	2,445,849
Contributed surplus	**2,625,207**	2,178,980
Deficit	**(16,954,397)**	(14,220,209)
Accumulated other comprehensive loss	**20,737**	24,687
TOTAL EQUITY	**21,163,800**	25,684,615
TOTAL LIABILITIES AND EQUITY	**23,244,884**	29,564,909

Basis of preparation and going concern (note 1)
Contingencies and commitments (note 12)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director   (Signed) Daniel Massé, Director

Cartier Resources Inc.

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Statements of changes in equity

Years ended December 31

(In Canadian $)

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Deficit	Accumulated other comprehensive (loss)	Total equity
		$	$	$	$	$	$	$
BALANCE AS AT DECEMBER 31, 2017	**176,904,747**	**35,255,308**	**2,445,849**	**2,178,980**	**-**	**(14,220,209)**	**24,687**	**25,684,615**
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**(4,989,092)**	**-**	**(4,989,092)**
Change in fair value of other short-term financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**(3,950)**	**(3,950)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(4,989,092)**	**(3,950)**	**(4,993,042)**
Effect of share-based payments (note 7)	**-**	**-**	**-**	**446,227**	**-**	**-**	**-**	**446,227**
Exercise of warrants (note 7)	**200,000**	**32,960**	**(6,960)**	**-**	**-**	**-**	**-**	**26,000**
Expired warrants (note 7)	**-**	**-**	**(2,254,904)**	**-**	**-**	**2,254,904**	**-**	**-**
BALANCE AS AT DECEMBER 31, 2018	**177,104,747**	**35,288,268**	**183,985**	**2,625,207**	**-**	**(16,954,397)**	**20,737**	**21,163,800**
BALANCE AS AT DECEMBER 31, 2016	112,641,129	22,260,938	2,411,881	1,580,662	82,971	(12,353,365)	15,800	13,998,887
Net loss for the year	-	-	-	-	-	(1,866,844)	-	(1,866,844)
Change in fair value of other short-term financial assets	-	-	-	-	-	-	8,887	8,887
Total comprehensive loss	-	-	-	-	-	(1,866,844)	8,887	(1,857,957)
Issuance of shares net of issue costs and not of income tax	53,345,594	11,128,081	-	-	-	-	-	11,128,081
Effect of share-based payments (note 7)	-	-	-	602,697	-	-	-	602,697
Issuance of options (note 7)	35,000	11,029	-	(4,379)	-	-	-	6,650
Issuance of warrants (note 7)	-	-	384,328	-	-	-	-	384,328
Exercise of warrants (note 7)	8,575,334	1,555,260	(350,360)	-	-	-	-	1,204,900
Convertible debenture issue costs	2,307,690	300,000	-	-	(82,971)	-	-	217,029
BALANCE AS AT DECEMBER 31, 2017	176,904,747	35,255,308	2,445,849	2,178,980	-	(14,220,209)	24,687	25,684,615

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

Cartier Resources Inc.

(an exploration company)

Statements of loss

Years ended December 31

(In Canadian $)

	2018	2017
	$	$
Administrative expenses		
Salaries	**371,638**	326,548
Consultants	**27,409**	13,913
Share-based payments-employees (note 7 and 8)	**393,932**	412,666
Share-based payments-consultants (note 7)	**6,281**	70,900
Professional fees	**69,232**	71,208
Rent	**10,110**	10,028
Business development	**518,473**	343,478
Insurance, taxes and permits	**16,000**	16,263
Interest and bank charges	**18,049**	22,964
Office supplies	**22,140**	26,225
Telecommunications	**5,299**	6,184
Training and travel	**26,160**	20,547
Advertising and sponsoring	**20,964**	30,225
Information to shareholder	**54,641**	50,174
Part XII.6 tax related to flow-through shares	**6,531**	-
	1,566,859	1,421,323
Other expenses (income)		
Write-down and write-off of mining assets and deferred exploration costs (note 6)	**5,424,280**	494,395
Other exploration costs	**1,683**	1,793
Interest income	**(164,374)**	(99,141)
Loss before deferred income and mining taxes	**(6,828,448)**	(1,818,370)
Deferred income and mining taxes (note 11)	**(1,839,356)**	48,474
Net loss for the year attributable to shareholders	**(4,989,092)**	(1,866,844)
Loss per share basic and diluted	**(0.03)**	(0.01)
Weighted average number of common shares outstanding basic and diluted	**177,041,733**	144,533,390

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

Cartier Resources Inc.

(an exploration company)

Statements of Comprehensive Loss

Years ended December 31

(In Canadian $)

	2018	2017
	$	$
Net loss for the year	**(4,989,092)**	(1,866,844)
Change in fair value of other short-term financial assets	**(3,950)**	8,887
Comprehensive loss for the year attributable to shareholders	**(4,993,042)**	(1,857,957)

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

Cartier Resources Inc.

(an exploration company)

Statements of Cash Flows

Years ended December 31

(In Canadian $)

	2018	2017
	$	$
OPERATING ACTIVITIES		
Net Loss	**(4,989,092)**	(1,866,844)
Adjustments for:		
Deferred income and mining taxes	**(1,839,356)**	48,474
Share-based payments-employees	**393,932**	412,666
Share-based payments-consultants	**6,281**	70,900
Write-down and write-off of mining assets and deferred exploration costs	**5,424,280**	494,395
Imputed interest of convertible debenture	**-**	4,919
Interest income	**(164,374)**	(99,141)
Interest received	**160,427**	85,474
	(1,007,902)	(849,157)
Net change in non-cash working capital items		
Receivables	**(5,704)**	(85,130)
Prepaid expenses	**(56,473)**	(55,315)
Accounts payables and accrued liabilities	**25,617**	(71,842)
Cash flows used in operating activities	**(1,044,462)**	(1,061,444)
FINANCING ACTIVITIES		
Shares issue	**-**	14,785,000
Shares issue expenses	**77**	(1,207,484)
Exercise of warrants	**26,000**	1,204,900
Exercise of options	**-**	6,650
Cash flows from financing activities	**26,077**	14,789,066
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(3,696)**	(1,690)
Acquisition of mining assets and deferred exploration costs	**(7,111,627)**	(3,584,616)
Cash flows used in investing activities	**(7,115,323)**	(3,586,306)
Net change in cash and cash equivalents	**(8,133,708)**	10,141,316
Cash and cash equivalents at the beginning	**15,706,671**	5,565,355
Cash and cash equivalents at the end (note 3)	**7,572,963**	15,706,671

Additional information (note 9)

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

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec *Companies Act* on July 17, 2006, has been governed by the *Business Corporations Act* (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primaily include the acquisition and exploration of mining properties in Canada.

The Company has not yet determined whether these properties contain economically recoverable ore reserves. Although, at the current stage of the exploration work, the Company is taking all industry standard measures to ensure that the mining property titles in which it has a financial interest are in good standing, these measures in place do not guarantee property titles to the Company. Property titles may be subject to prior unregistered agreements or non-compliance with regulatory requirements.

The recoverability of amounts reported for mining properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production, or the proceeds of the transfer of such property. At the date of the financial statements, the carrying value of mining properties and deferred exploration expenses represents, in management's opinion, the best estimate of their net recoverable value. This value could however be reduced in the future.

On April 18, 2019, the Company's Board of Directors approved these annual financial statements for the years ended December 31, 2018 and December 31, 2017.

1. Basis of preparation and going concern

These financial statements were prepared on a going concern basis, using historical costs method, except for "Other short-term financial assets" which are measured at fair value.

The financial statements have been prepared on a going concern basis, meaning that the Company will be able to realized its assets and discharge its commitments and liabilities in the normal course of operations. The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in raising financing to date, there can be no assurance it will be able to do so in the future. The Company believes it has sufficient liquidity to meet its obligations for the next 12 months. The Company has not yet determined whether its properties contain economically recoverable ore reserves and has not yet generated revenues from operations. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

These financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS". The Company requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company’s accounting policies.

2. Summary of accounting policies

2.1. Overall considerations

The financial statements have been prepared using accounting policies consistent with IFRS that are in effect as at December 31, 2018.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

2.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Company

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 16, Leases
In January 2016, IASB issued IFRS 16 – *Leases* . The standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases. IFRS 16 is effective for annual period beginning on or after January 1, 2019. Early adoption is permitted if the Company applied IFRS 15 – *Revenue from contract with customers* . The Company expects that its operating leases will need to be recognized in its statement of financial position on initial adoption of IFRS 16.

As at January 1, 2019, an amount of $195,412 will be recorded as assets and liabilities in the financial statements.

2.3. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee’s salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period. Contributions paid under the defined contribution rules are recognized as an expense when employees have rendered the services entitling them to those services.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

2. Summary of accounting policies (continued)

2.4. Share-based payments-employees

The Company has a share option purchase plan under which options to acquire the Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not provide any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair value is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are recognized as an expense and also in deferred exploration costs with a corresponding increase to "contributed surplus".

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised at the end of each reporting period or if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital. The fair value of each option is reversed from contributed surplus to share capital.

2.5. Mining assets and deferred exploration costs

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of each specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of loss as incurred.

The recoverability of the amounts recorded under mining assets and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these properties. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

2. Summary of accounting policies (continued)

2.6. Credit on duties refundable and refundable tax credit for resources

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties refundable on exploration costs incurred in the Province of Quebec is recognized as a tax recovery on income. In accordance with IAS 12- *Income tax* , the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 28% of qualified expenditures incurred. In accordance with IAS 20- A*ccounting for government grants and disclosure of government assistance* , this tax credit is accounted against the qualified expenditures.

2.7. Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less tax credits related to these expenses and any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is then immediately recognized in net loss.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

At present, no technical feasibility or commercial viability of extracting a mineral resource has been confirmed.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Summary of accounting policies (continued)

2.7. Exploration and evaluation expenditures and exploration and evaluation assets (continued)

Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

2.8. Income and mining taxes

The income and mining tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

Current income taxes and mining taxes

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current income tax and mining taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

Deferred income taxes and deferred mining taxes

Deferred income taxes is recognized in respect of temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income taxes and mining taxes liabilities

Deferred income taxes and mining taxes liabilities are generally recognized for all temporary taxable differences.

Deferred income taxes and mining taxes assets

Deferred income taxes and mining taxes assets are recognized to the extent that it is probable they will be able to be utilized against future taxable income.

2. Summary of accounting policies (continued)

2.8. Income and mining taxes (continued)

Deferred income taxes and mining taxes assets are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense or recovery in the statement of loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2.9. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that stock options and warrants have been converted into potential common shares at the average market value during the presentation period.

2.10. Cash reserved for exploration

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. These funds must be used for qualifying exploration expenditures for a pre-determined period. If the Company does not incur the resource expenditures, within a pre-determined timeframe, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

2.11. Cash and cash equivalents

Cash and cash equivalents are comprised of cash, cash reserved for exploration and short-term investments with maturity dates of less than three months from the date of acquisition.

2. Summary of accounting policies (continued)

2.12. Impairment of long-lived assets

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment at the end of each reporting period or when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future and it is not expected that they will be renewed.
- No future substantive exploration expenditures are budgeted.
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued.
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13. Leases

Leases are classified as operating leases since the benefits and the risks related to the ownership are not transfered to the Company. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are expensed as incurred.

2. Summary of accounting policies (continued)

2.14. Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Unit placements

The proceeds of unit issuances are allocated to the shares and warrants by using the Black-Scholes model to calculate the fair value of warrants and the residual amount to the shares.

Flow-through financing

Canadian tax law allows a company to issue investment securities to investors for whom tax deductions for exploration expenses may be claimed by investors and not by the Company. These securities are called flow-through shares. The Company finances a portion of its exploration programs through the issuance of flow-through shares. On the issue date of the shares, the Company allocates the issue proceeds between the share capital and the obligation to remit tax deductions, which is recognized as a flow-through share liability. The Company estimates the fair value of the flow-through share liability using the residual method, deducting the market price of a common share at the price of a flow-through share on the closing date of the financing. A corporation may waive tax deductions based on what is known as the "general method" or the "retrospective method". When the waiver of tax deductions is made according to the general method, which the Company intends to make the waiver and capitalizes the expenses in the current year, then the Company records a deferred tax liability, with an expense of deferred tax. At this point, the obligation is reduced, with a tax recovery as a counterpart. When tax deductions are retrospectively waived, the Company records a deferred tax liability, with a deferred tax expense when the expenditures are made and capitalized. At this point, the obligation is reduced to zero, with a tax recovery as consideration. The Company uses the general method.

Warrants

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

Other components of equity

Contributed surplus includes charges related to share options until such options are exercised.

The deficit includes all current and prior years' retained profits or losses.

2.15. Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functionnal currency of the Company.

2. Summary of accounting policies (continued)

2.16. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results.

The following paragraphs describe the most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses and the most critical management judgments in applying accounting policies.

Impairment of assets
An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its mining assets. Each year, the Company conducts an annual review of the geological potential of all its claims with the objective of postponing the work on certain claims and abandoning any claims with a low discovery potential. All amounts incurred on those claims are recorded in the statements of loss of the year (note 2.12).

Share-based payments and fair value of warrants
The estimate of share-based payment costs and of the fair value of warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes model.

Income taxes and deferred mining taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

2.17. New accounting policies

New accounting standards and amendments adopted:

IFRS 2, Classification and measurement of share-based payment transactions
In June 2016, the IASB issued narrow-scope amendments to IFRS 2, *Share-based Payment* clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of IFRS 2 did not have an impact on the financial statements.

IFRS 9, Financial instruments
In July 2014, the final version of IFRS 9 was published, which superseded IAS 39, *Financial Instruments Recognition and Measurement.* This new standard simplifies the classification and measurement of financial assets and financial liabilities by reducing the number of measurement categories. The new standard also introduces additional requirements relating to general hedge accounting and financial asset impairment methodology.

2. Changes to accounting policies (continued)

2.17. New accounting policies (continued)

IFRS 9, Financial instruments (continued)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

I. Classification and valuation of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see below). The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

(In Canadian $)

2. Changes to accounting policies (continued)

2.17. New accounting policies (continued)

IFRS 9, Financial instruments (continued)

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

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 had no impact on the carrying amount of the Company's other short-term financial assets as at December 31, 2018 as they were measured at fair value as at December 31, 2017 (see Note 4). As at January 1st, 2018, the Company made the irrevocable election to designate its equity investments as financial assets measured at FVOCI. As a result, changes in fair value will continue to be recorded in other comprehensive income. However, compared to IAS 39, when the financial asset will be derecognized, the accumulated gains and losses previously recognized in other comprehensive income will not be reclassified to net income as a reclassification adjustment. Finally, financial assets previously classified as loans and receivables, such as cash and cash equivalents, will now be classified as financial assets measured at amortized cost, which had no impact on their carrying amount as at January 1st, 2018.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 39
Cash and cash equivalents	Loans and receivalbles	Amortized cost
Other short-term financial assets	Fair value through other comprehensive income	Fair value through other comprehensive income
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

IFRS 15, Revenue from contracts with customers

In May 2014, IASB issued IFRS 15 – R*evenue from contracts with customers* ("IFRS 15"). This standard replaces IAS 11 *Construction Contracts* , IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes* , IFRIC 15 *Agreements for the construction of real estate* , IFRIC 18 T*ransfers of assets from customers* , and SIC-31 *Revenue - Barter transactions involving advertising services* . IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company applied IFRS 15 retrospectivelly with no material impact on its financial statements following the adoption of this standard.

(In Canadian $)

3. Cash and cash equivalents

As at December 31, 2018 and 2017, the cash and the cash equivalents and the cash reserved for exploration include an account bearing interest and an account without interest, as follows:

	December 31, 2018		December 31, 2017	
	$	Interest rate	$	Interest rate
Account bearing interest	**7,213,273**	**1.10%-2.50%**	15,580,188	0.75%-1.20%
Account without interest	**359,690**	**-**	126,483	-
Total	**7,572,963**		15,706,671	

Cash and cash equivalents include no funds to be expensed in eligible exploration expenses before December 31, 2018 ($4,327,388 as at December 31, 2017).

4. Other short-term financial assets

	December 31, 2018	December 31, 2017
	$	$
Marketable securities of a quoted mining exploration company, at fair value	**27,650**	31,600

5. Receivables

	December 31, 2018	December 31, 2017
	$	$
Credit on mining rights refundable and refundable tax credit for resources	**915,970**	67,119
Commodity taxes	**184,847**	175,196
	1,100,817	242,315

(In Canadian $)

6. Mining assets and deferred exploration costs

	MacCormack [1]	Chimo Mine	Wilson	Cadillac Extension [1]	Benoist [2]	Fenton (see note7(i))	Total
Percentage interest	100%	100%	100%	100%	100%	Option 50%	
	$	$	$	$	$	$	$
Mining assets							
Balance as at December 31, 2017	206,871	107,024	72,000	3,715	737,723	24,371	1,151,704
Additions	-	-	-	-	-	273	273
Write-down	(206,871)	-	-	(3,715)	-	-	(210,586)
Balance as at December 31, 2018	**-**	**107,024**	**72,000**	**-**	**737,723**	**24,644**	**941,391**
Deferred exploration costs							
Balance as at December 31, 2017	2,850,995	2,360,666	1,081,812	2,352,961	2,380,687	1,336,741	12,363,862
Additions							
Geology	-	334,381	1,367	3,326	1,521	17,986	358,581
Drilling	-	6,189,972	993	-	-	174,582	6,365,547
Geochemistry	-	274,617	-	-	-	-	274,617
Surveying and access roads	-	5,183	-	-	-	-	5,183
Core shack rental and maintenance	-	14,823	999	-	68	319	16,209
Duties, taxes and permits	4,900	1,601	684	1,512	1,812	307	10,816
Depreciation of exploration leasehold improvements	-	2,554	84	-	-	-	2,638
Share-based payments - employees	-	42,205	3,809	-	-	-	46,014
Total deferred exploration costs during the year	4,900	6,865,336	7,936	4,838	3,401	193,194	7,079,605
Write-down of deferred exploration costs	(2,855,895)	-	-	(2,357,799)	-	-	(5,213,694)
	(2,850,995)	6,865,336	7,936	(2,352,961)	3,401	193,194	1,865,911
Tax credits	-	(747,478)	-	-	(424)	(6,096)	(753,998)
Additions during the year	(2,850,995)	6,117,858	7,936	(2,352,961)	2,977	187,098	1,111,913
Total deferred exploration costs as at December 31, 2018	**-**	**8,478,524**	**1,089,748**	**-**	**2,383,664**	**1,523,839**	**13,475,775**
Total of mining assets and deferred exploration costs as at December 31, 2018	**-**	**8,585,548**	**1,161,748**	**-**	**3,121,387**	**1,548,483**	**14,417,166**

All mining properties held by the Company are located in northwestern Quebec.

[1] Following an analysis of the work carried out to evaluate the future potential of each of the Company's properties, the exploration work on the MacCormack and Cadillac Extension's properties were delayed for an indefinite period. The properties represent respectively 89 and 39 mining titles. As a result, the portions of the properties for these claims and the related exploration expenses were writen-down for $210,586 and $5,213,694, respectively.

[2] The Company repurchased a 1.1% NSR royalty on the Benoist property for $75,000 in cash and $40,000 in shares. The remaining NSR royalty is 0.1%.

The Company is subject to royalties on certain properties.

(In Canadian $)

6. Mining assets and deferred exploration costs (continued)

	MacCormack [1]	Chimo Mine	Wilson	Cadillac Extension	Benoist [2]	Fenton [3]	Total
Percentage interest	100%	100%	100%	100%	100%	Option 50%	
	$	$	$	$	$	$	$
Mining assets							
Balance as at December 31, 2016	252,756	107,024	72,000	3,715	622,723	14,371	1,072,589
Additions	-	-	-	-	115,000	10,000	125,000
Write-off	(45,885)	-	-	-	-	-	(45,885)
Balance as at December 31, 2017	**206,871**	**107,024**	**72,000**	**3,715**	**737,723**	**24,371**	**1,151,704**
Deferred exploration costs							
Balance as at December 31, 2016	3,297,601	517,046	177,769	2,195,497	2,349,809	462,451	9,000,173
Additions							
Geology	296	288,768	115,785	11,901	20,967	76,115	513,832
Drilling	-	1,342,285	740,496	154,344	98	777,524	3,014,747
Exploration office expenses	-	4,268	1,116	756	89	705	6,934
Surveying and access roads	-	119,625	24,266	2,433	10,126	-	156,450
Core shack rental and maintenance	-	10,142	3,058	775	420	1,852	16,247
Duties, taxes and permits	1,608	3,130	3,128	2,230	2,980	414	13,490
Depreciation of exploration leasehold improvements	-	3,174	936	-	-	788	4,898
Share-based payments - employees	-	78,031	23,230	-	-	17,870	119,131
Total deferred exploration costs during the year	1,904	1,849,423	912,015	172,439	34,680	875,268	3,845,729
Write-off of deferred exploration costs	(448,510)	-	-	-	-	-	(448,510)
	(446,606)	1,849,423	912,015	172,439	34,680	875,268	3,397,219
Tax credits	-	(5,803)	(7,972)	(14,975)	(3,802)	(978)	(33,530)
Additions during the year	(446,606)	1,843,620	904,043	157,464	30,878	874,290	3,363,689
Total deferred exploration costs as at December 31, 2017	**2,850,995**	**2,360,666**	**1,081,812**	**2,352,961**	**2,380,687**	**1,336,741**	**12,363,862**
Total of mining assets and deferred exploration costs as at December 31, 2017	**3,057,866**	**2,467,690**	**1,153,812**	**2,356,676**	**3,118,410**	**1,361,112**	**13,515,566**

All mining properties held by the Company are located in northwestern Quebec.

[1] Following an analysis of the work carried out to evaluate the future potential of each of the Company's properties, a portion of the MacCormack's property was writen-off representing 14 mining titles. As a result, the portions of the properties for these claims and the related exploration expenses were writen-off for $45,885 and $448,510, respectively.

[2] The Company repurchased a 1.1% NSR royalty on the Benoist property for $75,000 in cash and $40,000 in shares. The remaining NSR royalty is 0.1%.

[3] The company has achieved all the conditions to earn a 50% interest in the Fenton Property.

The Company is subject to royalties on certain properties.

(In Canadian $)

7. Share capital

Authorized
Unlimited number of common shares, without par value, voting and participating

	December 31, 2018		December 31, 2017	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of the year	**176,904,747**	**35,255,308**	112,641,129	22,260,938
Shares issued and paid				
Exercise of warrants (a)	**200,000**	**32,960**	8,575,334	1,555,260
Exercise of options (b)	**-**	**-**	35,000	11,029
Flow-through private placements (c) (g)	**-**	**-**	25,910,000	7,777,500
Renouncement of tax deductions on flow-through shares (c) (g)	**-**	**-**	-	(2,466,700)
Private placements (d) (f)	**-**	**-**	27,250,000	7,007,500
Redemption of a royalty (e)	**-**	**-**	135,594	40,000
Debenture conversion (h)	**-**	**-**	2,307,690	300,000
Acquisition of properties (i)	**-**	**-**	50,000	10,000
	200,000	**32,960**	64,263,618	14,234,589
Share issue expenses	**-**	**-**	-	(1,240,219)
Balance, at end of the year	**177,104,747**	**35,288,268**	176,904,747	35,255,308

(a) During the year 2018, the Company issued 200,000 common shares at a price of $0.13 following exercise of warrants whose fair value of the common share ranged from $0.165 at the time of exercise (5,650,000 common shares at a price of $0.13, 175,000 common shares at a price of $0.14, 2,083,334 common shares at a price of $0.15 and 667,000 common shares at a price of $0.20 totalling $1,204,900 following exercise of warrants whose fair value of the common share ranged from $0.19 to $0.35 at the time of exercise in 2017).

(b) During the year 2017, the Company issued 35,000 common shares at a price of $0.19, totalling $6,650 following exercise of options whose fair value of the common share was $0.295 at the time of exercise.

(c) Issuance of flow-through shares on December 5, 2017

On December 5, 2017, the Company completed a private placement through Sprott Capital Partners. The Company issued 13,030,000 flow-through shares at a price of $0.33 per flow-through share for total gross proceeds of $4,299,900. In connection with the offering, the agent received a cash commission equal to 6% of the gross proceeds and broker warrants equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder there of to acquire one common share at a price of $0.27 for a period of 24 months following the closing date. Share issue expenses totalling $499,573 were also applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares representing an amount of $1,693,900 which reduced the share capital and increased the liabilities related to flow-through shares.

7. Share capital (continued)

(d) Issuance of common shares on December 5, 2017

On December 5, 2017, the Company completed a private placement through Sprott Capital Partners. The Company issued 5,000,000 shares at a price of $0.20 per share for total gross proceeds of $1,000,000. In connection with the offering, the agent received broker warrants equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of $0.27 for a period of 24 months following the closing date. Share issue expenses totalling $50,000 were also applied against the share capital.

(e) Redemption of a royalty on May 31, 2017

On May 31, 2017, the Company repurchased 0.2% of royalty from two investors on the Benoist property. A total of 135,594 common shares were issued for $40,000. Share issue expenses totalling $302 were also applied against the share capital.

(f) Issuance of common shares on May 30, 2017

On May 30, 2017, the Company completed a private placement through Canaccord Genuity Corp. and Paradigm Capital Inc. The Company issued 22,250,000 shares at a price of $0.27 per share for total gross proceeds of $6,007,500. In connection with the offering, the agents received a cash commission equal to 6% of the gross proceeds and broker warrants equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of $0.27 for a period of 18 months following the closing date. Share issue expenses totalling $650,874 were also applied against the share capital.

(g) Issuance of flow-through shares on March 20, 2017

On March 20, 2017, the Company completed a private placement through Paradigm Capital Inc. The Company issued 12,880,000 flow-through shares at a price of $0.27 per flow-through share for total gross proceeds of $3,477,600. In connection with the offering, the agent received a cash commission equal to 7% of the gross proceeds and broker warrants, equal to 7% of the number of flow-through shares sold pursuant. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of $0.27 for a period of 24 months following the closing date. Share issue expenses totalling $400,521 were also applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares representing an amount of $772,800 which has reduced the share capital and increased the liabilities related to flow-through shares.

(h) Debenture conversion on February 28, 2017

On February 28, 2017, in accordance with the contractual terms of the debenture, the Company converted the debenture at a conversion price of $0.13 per common share. A total of 2,307,690 shares were issued for $300,000. In addition, accrued interest totaling $18,763 was also paid in cash.

(In Canadian $)

7. Share capital (continued)

(i) The Company has an option agreement with SOQUEM INC. allowing it to acquire a 50% undivided interest in the Fenton project. The Company had to incur exploration expenditures aggregating $1,500,000 by March 19, 2018 and pay 50,000 shares on the date of signature and then each anniversary date. In addition, the Company had a firm commitment to invest $500,000 in exploration work over the first year following the signature of the agreement, which was completed over the period. The Company issued 50,000 common shares to SOQUEM INC, on the first, the second, the third, the fourth, the fifth and the sixth anniversary following the signature of the agreement. SOQUEM INC. is the operator. During the year ended December 31, 2018, the Company fulfilled the conditions under the option agreement to acquire the 50% undivided interest in the Fenton property, following which SOQUEM INC. and the Company have a joint operation.

Share Option Plan

The Company has a share option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

The following table summarizes the information about the outstanding share options:

	December 31, 2018		December 31, 2017	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Outstanding - Beginning	**11,475,000**	**0.18**	8,970,000	0.16
Granted-employees	**3,575,000**	**0.15**	3,075,000	0.25
Granted-consultants	**-**	**-**	250,000	0.30
Exercised	**-**	**-**	(35,000)	0.19
Expired	**(950,000)**	**0.25**	(785,000)	0.25
Outstanding - End	**14,100,000**	**0.17**	11,475,000	0.18
Exercisable - End	**11,587,500**	**0.17**	9,212,500	0.17

The following table summarizes certain information for share options outstanding and exercisable:

	Outstanding options December 31, 2018			**Exercisable options December 31, 2018**		
Exercise price	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**
		(years)	**$**		**(years)**	**$**
$0.10 to $0.20	**11,975,000**	**2.80**	**0.15**	**9,462,500**	**2.29**	**0.15**
$0.21 to $0.30	**2,125,000**	**3.38**	**0.30**	**2,125,000**	**3.38**	**0.30**
$0.10 to $0.30	**14,100,000**	**2.88**	**0.17**	**11,587,500**	**2.49**	**0.17**

(In Canadian $)

7. Share capital (continued)

The weighted average fair value of share options granted was estimated using the Black-Scholes model at $0.12 per option ($0.21 in 2017) using the following assumptions:

	2018	2017
Risk-free interest rate	**2.18%**	1.17%
Expected volatility	**108%**	112%
Dividend yield	**Nil**	Nil
Weighted average expected life	**5 years**	5 years

During the year ended December 31, 2018, the share-based payment expense was $446,227 (2017 - $602,697). An amount of $400,213 (2017 - $483,566) was presented in the statement of loss and an amount of $46,014 ($119,131 in 2017) was presented in mining assets and deferred exploration costs.

Warrants

The following table presents the changes that occurred during the year:

	December 31, 2018			December 31, 2017		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginning	**3,518,400**	**0.26**	**0.97**	8,775,334	0.14	0.49
Granted-agent compensation options [1]	**-**	**-**	**-**	3,318,400	0.27	1.33
Exercised	**(200,000)**	**0.13**	**-**	(8,575,334)	0.14	-
Expired	**(1,335,000)**	**0.27**	**-**	-	**-**	-
Outstanding - End	**1,983,400**	**0.27**	**0.61**	3,518,400	0.26	1.27
Exercisable - End	**1,983,400**	**0.27**	**0.61**	2,436,600	0.26	0.98

[1] At issuance, the warrants are subject to a 4 month and 1 day statutory hold period.

The outstanding warrants are as follows:

Maturity date	**Exercise price**	**Number**
	$	
March 2019	0.27	**901,600**
December 2019	0.27	**1,081,800**
		1,983,400

(In Canadian $)

7. Share capital (continued)

The weighted average fair value of warrants granted was estimated on the grant date using the Black-Scholes option-pricing model at $0.12 per warrant as at December 31, 2017 using the following assumptions:

	2017
Risk-free interest rate	0.96%
Expected volatility	97%
Dividend yield	nil
Weighted average expected life	1.8 year

8. Employee remuneration

Employee benefits recognized are detailed below:	**December 31, 2018**	December 31, 2017
	$	$
Salaries and fees	**657,789**	621,787
Fringe benefits	**39,590**	37,071
Share-based payments-employees	**446,226**	531,797
Defined contribution pension plan	**16,846**	10,591
	1,160,451	1,201,246
Less: salaries and share-based payments-employees capitalized in exploration and evaluation assets	**(331,030)**	(414,412)
Employee benefits	**829,421**	786,834

9. Cash flows

Additional information	**December 31, 2018**	December 31, 2017
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Shares issued for the acquisition of mining properties and royalty	**-**	50,000
Share issue expenses included in accounts payable and accrued liabilities	**77**	10,365
Depreciation of property, plant and equipment transferred to deferred exploration costs	**2,638**	4,898
Deferred exploration costs included in accounts payable and accrued liabilities	**138,989**	188,239
Share-based payments-employees charged to deferred exploration costs	**46,014**	31,171
Credits on mining taxes applied against deferred exploration costs	**750,946**	33,530
Reversal of the provision of mining rights	**-**	22,618

(In Canadian $)

10. Financial Instruments

Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and investing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

Financial risks

The following paragraphs describe the main financial risks to which the Company is exposed and its risk management policies.

Interest risk

As at December 31, 2018, the Company is not exposed to interest rate risk since they are all short-term items.

Liquidity risks

The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

All financial liabilities mature in less than 12 months.

Sensitivity to credit risk

The Company's exposure to credit risk is limited to the carrying value of its financial assets at the date of presentation of the financial information as disclose below:

	December 31, 2018	December 31, 2017
	$	$
Cash and cash equivalents	**7,572,963**	15,706,671

(In Canadian $)

10. Financial Instruments (continued)

Sensitivity to credit risk (continued)

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents and cash reserved for exploration is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities are classified under Level 1.

The carrying amount of cash and cash equivalents, cash reserved for exploration, accounts payables and accrued liabilities approximate fair value based on the close date.

11. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

	December 31, 2018	December 31, 2017
	$	$
Loss before income and mining taxes	**(6,828,448)**	1,818,379
Combined federal and provincial income tax at 26.7% (26.8% as at December 31, 2017)	**(1,823,196)**	(487,324)
Deferred exploration flow-through shares	**1,655,658**	1,372,960
Mining taxes	**(153,440)**	(36,413)
Non-deductible expenses for income tax purposes	**111,613**	136,701
Share issue expenses not affecting earnings	**(93,517)**	(67,426)
Change in unrecognised tax benefits	**148,038**	(65,274)
Change in future tax rates	**(13,785)**	(14,401)
Other	**30,211**	5,067
	(138,418)	843,890
Flow-through premium	**(1,700,938)**	(795,416)
Deferred income and mining taxes	**(1,839,356)**	48,474

(In Canadian $)

11. Deferred income and mining taxes (continued)

As at December 31, 2018 and 2017, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

	December 31, 2018		December 31, 2017	
Year	Federal	Provincial	Federal	Provincial
	$	**$**	$	$
2025	8,387	7,530	8,387	7,530
2026	5,699	4,765	5,699	4,765
2027	524,066	521,001	524,066	521,001
2028	725,416	718,518	725,416	718,518
2029	724,776	720,746	724,776	720,746
2030	955,459	952,206	955,459	952,206
2031	792,271	777,709	792,271	777,709
2032	1,114,872	1,100,591	1,114,872	1,100,591
2033	865,813	842,225	865,813	842,225
2034	808,358	800,904	808,358	800,904
2035	697,789	694,214	697,789	694,214
2036	584,553	580,931	584,553	580,931
2037	1,179,203	1,179,203	1,064,954	1,053,537
2038	1,337,356	1,337,356	-	-
	10,324,018	**10,237,899**	8,872,413	8,774,877

Deferred tax asset unrecognized

Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available and against which unused tax losses and unused tax credits could be charged. Deferred tax assets have not been recognized in respect of:

	December 31, 2018	December 31, 2017
	$	$
Non-capital losses	**1,341,827**	1,194,420
Financial asset measured at fair value	**48,674**	48,151
	1,390,501	1,242,571

(In Canadian $)

11. Deferred income and mining taxes (continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
	$	$
Property, plant and equipment	**54,855**	54,156
Non-capital losses	**980,030**	1,176,070
Share issue cost	**268,440**	361,957
Deferred tax assets	**1,303,325**	1,592,183
Mining assets and deferred exploration expenses	**(3,060,299)**	(3,334,136)
Deferred tax liabilities	**(1,756,974)**	(1,741,953)

Change in deferred tax

	Balance December 31, 2017	Recognized in profit or (loss)	Recognized in equity	**Balance December 31, 2018**
	$	$	$	**$**
Property, plant and equipment	54,156	699	-	**54,855**
Deferred exploration costs	(3,334,136)	273,837	-	**(3,060,299)**
Non-capital losses	1,176,070	(196,040)	-	**980,030**
Share issue cost	361,957	(93,517)	-	**268,440**
Total	(1,741,953)	(15,021)	-	**(1,756,974)**

	Balance December 31, 2016	Recognized in profit or (loss)	Recognized in equity	Balance December 31, 2017
	$	$	$	$
Property, plant and equipment	72,914	(18,758)	-	54,156
Mining Properties	(5,094)	5,094	-	-
Deferred exploration costs	(2,147,235)	(1,186,901)	-	(3,334,136)
Convertible debenture	6,791	(6,791)	-	-
Non-capital losses	842,119	333,951	-	1,176,070
Share issue cost	-	-	361,957	361,957
Total	(1,230,505)	(873,405)	361,957	(1,741,953)

(In Canadian $)

12. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

– Two years following the flow-through placements; or
– one year after the Company has renounced the tax deductions relating to the exploration work.

If the Company does not incur eligible exploration expenditures it will be required to indemnify the holders of such shares against all taxes and other expenses incurred as a result of the Company not incurring the required exploration expenses.

During the year ended December 31, 2018, the Company received no amount ($7,777,500 as at December 31, 2017) from flow-through financings.

The Company renounced tax deductions related to the 2017 flow-through financings and a liability related to flow-through shares issued in 2017, totaling $2,466,700 was recorded at the time of issuance. Management was required to incur eligible exploration expenditures before December 31, 2018. As at December 31, 2018, all of the flow-through share liability was fully amortized ($1,700,938 as at December 31, 2017).

Leases

The Company rents its offices under a lease expiring in March 2021. The lease covering a Company's vehicle expires in October 2020 and a geotic licence expires August 2021.

The future minimum operating lease payments are as follows:

	Minimum lease payments due:		
	Within 1 year	**1 to 5 years**	**Total**
	$	$	$
December 31, 2018	**45,496**	57,914	103,410
December 31, 2017	**39,496**	87,410	126,906

Lease fees recognized as an expense during the reporting period amount to $39,496 ($42,988 as at December 31, 2017). This amount consists of minimum lease payments. The Company's lease agreements contain renewal options.

(In Canadian $)

13. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

	December 31, 2018	December 31, 2017
	$	$
Short-term employee benefits		
Salaries and fees including bonuses and benefits	**550,485**	521,581
Social security costs and contributions to the pension plan	**44,904**	47,779
Total short-term employee benefits	**595,389**	569,360
Share-based payments-employees	**414,440**	491,054
Total remuneration	**1,009,829**	1,060,414

During the year ended in 2018, no key management personnel exercised share options granted through the share-based payment plans (2017 - 35,000).

14. Related party transactions

During the year 2018, the Company paid $2,635 to the spouse of a director for consultant fees. As at December 31, 2018, this amount has been recorded in administrative expenses in "business development" in the statements of profit or loss and no amount is payable.

15. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties for the next 12 months.

The Company is not subject, with regards to external rules, to any requirements regarding its capital, unless the Company completes a flow-through financing for which the cash must be reserved for exploration. As at December 31, 2018, the Company has no cash reserved for exploration ($4,327,388 as at December 31, 2017).

As at December 31, 2018, shareholders' equity was $21,163,800 ($25,684,615 as at December 31, 2017).