Gratomic

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Independent Auditor's Report

To the Shareholders of Gratomic Inc.

Opinion

We have audited the consolidated financial statements of Gratomic Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the statement of loss and comprehensive loss, statement of cash flows and statement of shareholders' equity for the year 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 financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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, 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.

Comparative Information

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 30, 2018.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at December 31, 2018, the Company had an accumulated deficit of $ 13,654,188 and working capital of $ 3,041,563. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
April 30, 2019

Chartered Professional Accountants

GRATOMIC INC.

(formerly CKR Carbon Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

Expressed in Canadian Dollars

	Notes	2018	2017
		$	$
Assets			
Current			
Cash		2,558,544	2,317,221
Restricted cash		-	16,329
Amounts receivable		495,992	166,616
Prepaids	**7**	453,367	-
		3,507,903	2,500,166
Exploration and evaluation assets	**3**	5,003,062	4,200,063
Property and equipment	**4**	2,098,255	652,851
		10,609,220	7,353,080
Liabilities			
Current			
Amounts payable and accrued liabilities	**7**	466,340	267,871
Flow through premium liability		-	25,409
		466,340	293,280
Long Term			
Decommisioning liability		50,000	-
Total liabilities		516,340	
Shareholders' equity			
Share capital	**6**	19,196,978	13,693,171
Reserves		3,179,500	2,463,343
Deficit	**6**	(13,654,188)	(10,257,019)
Equity attributable to owners of the Company		8,722,290	5,899,495
Non- controlling interest	**5**	1,370,590	1,160,305
Total equity		10,092,880	7,059,800
Total shareholders' equity and liabilities		10,609,220	7,353,080

Nature of operations and going concern	**1**
Commitments and contingencies	**12**
Subsequent events	**13**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Arno Brand"	"Daniel Bloch"
Director	Director

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

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED

Expressed in Canadian Dollars

	Notes	December 31, 2018	2017
		$	$
Operating expenses			
Consulting		**123,920**	49,000
Filing fees and permits		**34,015**	16,482
Investor relations		**190,628**	27,616
Management fees		**621,500**	249,323
Marketing		**754,302**	212,699
Office and other		**329,828**	59,409
Professional fees		**190,983**	152,196
Share-based compensation	**6(II)**	**795,782**	1,041,000
Travel, meals and accomodation		**381,620**	59,191
Reversal of flow-through premium liability		**(25,409)**	(28,924)
Net loss and comprehensive (loss) for the year		**(3,397,169)**	(1,837,992)
Comprehensive loss for the year attributable to :			
Owners of the Company		**(3,397,169)**	(1,837,992)
Non-controlling interests		-	-
		(3,397,169)	(1,837,992)
Basic and diluted loss per share		**(0.03)**	(0.03)
Weighted average number of shares outstanding		**125,149,387**	70,112,422

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

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
Expressed in Canadian Dollars

	2018	2017
	$	$
Operating Activities		
Net loss for the year	(3,397,169)	(1,837,992)
Non-cash items:		
Amortization	-	43,864
Share-based compensation	795,782	1,041,000
Shares for services	16,000	8,000
Flow through premium	(25,409)	(28,924)
Change in restricted cash	16,329	-
Change in receivable	290,624	(86,696)
Change in prepaid expenses	(453,367)	5,000
Changes in accounts payable and accrued liabilities	213,359	(113,916)
Cash used for operating activities	(2,543,851)	(969,664)
Investing Activities		
Exploration and evaluation expenditures	(737,452)	(921,194)
Purchase of property and equipment	(1,475,841)	(202,648)
Deferred acquisition costs	-	(169,964)
Cash used for investing activities	(2,213,293)	(1,293,806)
Financing Activities		
Proceeds from issuance of common shares from private placements	4,206,500	4,557,690
Share issuance costs	(267,906)	(410,000)
Proceeds from issuance of common shares from options exercised	27,000	-
Proceeds from issuance of common shares from warrants exercised	1,032,873	129,931
Cash provided by financing activities	4,998,467	4,277,621
Changes in cash	241,323	2,014,151
Cash, beginning of year	2,317,221	303,170
Cash, end of year	2,558,544	2,317,321

Supplemental information

Non-cash transactions	$	$
Allocation of equipment from deferred acquisition costs to property, plant and equipment	-	43,422
Amortization included in exploration and evaluation assets	30,437	-
Warrants issued in payment of agent's fee	182,729	298,860
Exploration and evaluation expenditure in accounts payable	79,017	64,127
Flow through premium	-	41,000
Acquisition of control of Gazania	-	1,216,472
Conversion of deferred acquisition cost in Gazania	-	1,357,871
Acquisition of equity in Gazania	-	316,932
Fair value of warrants and options exercised	-	26,337
Non-controlling interest carried interest	210,285	260,765
Property, plant and equipment in accounts payable	-	11,570

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

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in Canadian Dollars

	Notes	Number of shares	Share capital $	Share-based payment reserves $	Deficit $	Attributable to owners $	Non-controlling Interest $	Total Equity $
December 31, 2016		50,531,892	9,721,073	1,093,653	(8,419,027)	2,395,699	-	2,395,699
Shares issued for private placements	6(I)	59,054,143	4,557,690	-	-	4,557,690	-	4,557,690
Shares issued for services		139,077	8,000	-	-	8,000	-	8,000
Share issuance costs - cash	6(I)		(410,000)	-	-	(410,000)	-	(410,000)
Share issuance costs - broker warrants	6(I)		(298,860)	298,860	-	-	-	
Shares issued for warrants exercised		1,341,877	156,268	(26,337)		129,931	-	129,931
Flow through share premium liability		-	(41,000)	-	-	(41,000)	-	(41,000)
Share-based compensation	6(II)	-	-	1,041,000	-	1,041,000	-	1,041,000
Acquisition of control of subsidiary	5	-	-	-	-	-	1,216,472	1,216,472
Equity acquisition of subsidiary	5	-	-	316,932	-	316,932	(316,932)	
Non-controlling interests carried interest	5	-	-	(260,765)	-	(260,765)	260,765	-
Loss for the year		-	-	-	(1,837,992)	(1,837,992)	-	(1,837,992)
December 31, 2017		**111,066,989**	**13,693,171**	**2,463,343**	**(10,257,019)**	**5,899,495**	**1,160,305**	**7,059,800**
Shares issued for private placements	6(I)	48,425,000	4,842,500	-	-	4,842,500	-	4,842,500
Share issuance costs - cash	6(I)	-	(267,906)	-	-	(267,906)	-	(267,906)
Share issuance costs - broker warrants	6(I)	-	(182,729)	182,729	-	-	-	-
Shares issued for warrants exercised		8,886,750	1,032,873	-	-	1,032,873	-	1,032,873
Shares issued for options exercised		300,000	27,000	-	-	27,000	-	27,000
share capital for warrants and options exercised	6(II) and (III)	-	52,069	(52,069)	-	-	-	-
Share-based compensation	6(II)	-	-	795,782	-	795,782	-	795,782
Non-controlling interests carried interest	5	-	-	(210,285)	-	(210,285)	210,285	-
Loss for the year		-	-	-	(3,397,169)	(3,397,169)	-	(3,397,169)
December 31, 2018		**168,678,739**	**19,196,978**	**3,179,500**	**(13,654,188)**	**8,722,290**	**1,370,590**	**10,092,880**

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

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

On December 22, 2017, the Company changed its name to Gratomic Inc. (formerly CKR Carbon Corporation) (hereafter the "Company"). The Company was incorporated under the Business Corporations Act (Ontario), and is listed on the TSX Venture Exchange (TSX-V: GRAT). The Company's corporate office is located at 130 Spadina Avenue, Suite 401, Toronto ON, M5V 2L4. The Company is a junior exploration company engaged in the acquisition and exploration of assets located primarily in Canada and Namibia.

The Company's ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. These conditions indicate the existence of material uncertainties which cast significant doubt on the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental and social requirements.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

Details of deficit and working capital of the Company are as follows;

	December 31,	
	2018	2017
	$	$
Deficit	(13,654,188)	(10,257,019)
Working capital	3,041,563	2,206,886

The consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 were authorized for issuance in accordance with a resolution of the board of directors on April 30, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretations Committee ("SICs").

Critical judgements and sources of estimation uncertainty

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

ii) Capitalization of deferred exploration costs

Minority interest and equity are adjusted to reflect the ownership interest of consolidated subsidiaries in which a minority interest shareholder has a carried interest.

Management is required to assess impairment of intangible exploration and evaluation assets and property and equipment. The triggering events are defined in IFRS 6 and IAS 36 respectively. In making the assessment, management is required to make judgments on the status of each project and the future plans toward finding commercial reserves to which the exploration and evaluation assets and property and equipment relate to.

Management has determined that there were no triggering events present as at December 31, 2018 and 2017, as defined in IFRS 6 and IAS 36, as such, no impairment test was performed.

Critical estimates exercised are as follows:

i) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the consolidated financial statements include the accounts of the following subsidiary companies, for which all significant inter-company transactions and balances have been eliminated.

Name	Place of incorporation	Ownership %
Gratomic Graphite (pty) Limited	Namibia	100%
Ludbay Properties Pty Ltd.	Namibia	100%
Luxury Investments	Namibia	100%
Gazania Investments Two Hundred and Forty Two (Pty) Ltd	Namibia	63%
Gratomic UK Ltd	UK	100%

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise.

(iii) Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

Financial instruments that are measured at fair value, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors in IAS 21, *The Effects of Change in Foreign Exchange Rates.*

For companies in the consolidated group whose presentation currency is the Canadian Dollar, transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period balances recorded in currencies other than the Canadian dollar are recorded at the period end rate of exchange and exchange gains and losses arising on translation are reflected in profit or loss for the year.

For companies in the consolidated group whose presentation currency is other than the Canadian Dollar translations to Canadian Dollars are done as follows: At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the
exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon 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 proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

During the year ended December 31, 2018 and 2017 the Company estimated and recorded its decommissioning liability at an amount of $50,000 (2017 – Nil).

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance are charged to profit or loss during the fiscal period in which they occur.

Depreciation is calculated using a straight-line method to write-off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis of depreciation
Buildings	Straight-line over 10 years
Plant & equipment	Straight-line over 3 years
Vehicles	30% declining balance

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded in reserves.

Share-based compensation

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

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

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

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Income taxes

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.

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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Expressed in Canadian Dollars

Adoption of new standards

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at January 1, 2018.

	Original under IAS 39		**New under IFRS**	
	Classification	Carrying amount	Classification	Carrying amount
Cash	FVTPL	2,317,221	FVTPL	2,317,221
Restricted cash	FVTPL	16,329	FVTPL	16,329
Amounts receivable	Loans and receivables	166,616	Amortized cost	166,616
Amounts payable	Other financial liability	267,871	Amortized cost	267,871

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on January 1, 2018.

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) which superseded IAS 18 Revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual period beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the cumulative effect adjustment method without applying any practical expedients.

The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit or to the opening deficit on January 1, 2018.

New accounting pronouncements not yet adopted

Certain standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company is evaluating the effect that this standard will have on its consolidated financial statements.

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS

Following is a summary of the exploration and evaluation assets

For the year ended December 31, 2018	Beginning Balance ($)	Acquisition costs ($)	Exploration costs ($)	Ending Balance ($)
Aukam Namibia project	3,135,959	-	568,340	3,704,299
Montpellier Quebec project	317,240	-	4,159	321,399
Buckingham Quebec project	746,864	-	230,500	977,364
	4,200,063	**-**	**802,999**	**5,003,062**

For the year ended December 31, 2017	Beginning Balance ($)	Acquisition costs ($)	Exploration costs ($)	Ending Balance ($)
Aukam Namibia project	-	2,553,888	582,071	3,135,959
Montpellier Quebec project	292,359	-	24,881	317,240
Buckingham Quebec project	489,088	-	257,776	746,864
	781,447	**2,553,888**	**864,728**	**4,200,063**

Montpellier, Quebec

The Company has satisfied all requirements under a December 9, 2013 option agreement and has acquired certain claims located in the Hartwell Township, Casse Laurentides Region in Quebec. The vendors have been granted a 2% net smelter royalty (“NSR”). The Company has the right to repurchase a 1% NSR from the vendors for $1,000,000.

Buckingham, Quebec

The Company has satisfied all requirements under a February 2013 option agreement and has acquired a 100% interest in the Buckingham properties located in the Province of Quebec.

Aukam Graphite Project, Namibia

The Aukam Graphite project is a property located in Namibia’s Karas Region in Africa, which the Company is exploring for graphite mineral resources.

Under the terms of a Joint Venture Agreement dated June 8, 2015, and amended July 17, 2015, between the Company and Next Graphite Pty. Ltd. (“Next”), and a subsequent Farm-out Agreement dated September 12, 2016, between the Company, and Next, the Company acquired 63% of Gazania Investments Two Hundred and Forty Two (Pty) Ltd (“Gazania”) from Next by spending USD $1,100,000 on the property (completed March 31, 2017). The agreements require the Company to:

a) Complete the plant and infrastructure set up (in progress), and
b) Obtain government authorization to begin commercial operations (in progress); and
c) Make quarterly payments for a total of USD$180,000 (completed).

Should the Farm-out period need to be extended beyond six months following receipt of a mining license, Next will continue to be paid USD$25,000 per quarter until the plant and infrastructure set-up are complete. In the case where the Farm-out period is extended as above and the revenue is less than USD$100,000 per month, the Company will loan Next US$25,000 per quarter. Interest on the loan will be compounded monthly at a rate equal to one-month term LIBOR plus one.

Should the Company fail to provide payment or work expenditures for any farm-out period or fail to complete the plant infrastructure 6 months after receipt of the mining license, it will forfeit 2% of its interest for each 30-day delay.

Following conclusion of the Farm-out period the Company will fund all operations to run all plant related activities and expenditures for the first five months. Thereafter, each party will contribute funding proportionate to their respective holdings.

Gazania holds an Exclusive Prospecting License (EPL) number 3895 (the "License") for the Aukam Graphite Project located in Namibia's Karas Region, Africa. The Company has the option to buy an incremental 10% of Next's remaining interest for a cash payment of USD$180,000.

A 2% revenue royalty is payable to the individual who farms the property.

Under Namibian laws royalties are payable in connection with the Aukam Graphite Project as follows:

a) A 3% revenue royalty is payable the Namibian government.
b) A 6% net profit incentive, required under the Namibian Economic Empowerment Framework, is payable to employees working on the project.

Expressed in Canadian Dollars

4. Property Plant and Equipment

	Land	Buildings	Furniture, fixtures and equipment	Vehicles	Total
	$	$	$	$	$
Cost					
At December 31, 2016	369,434	-	69,461	-	438,895
2017 Additions	-	69,904	168,974	18,762	238,880
At December 31, 2017	369,434	69,904	238,435	18,762	696,535
2018 Additions	-	216,500	938,329	321,011	1,475,841
At December 31, 2018	369,434	286,404	1,176,764	339,773	2,172,376
Accumlated Depreciation					
At December 31, 2016	-	-	-	-	-
2017 Depreciation	-	-	38,055	5,629	43,684
At December 31, 2017	-	-	38,055	5,629	43,684
2018 Depreciation	-	7,160	513	22,764	30,437
At December 31, 2018	-	7,160	38,568	28,393	74,121
Carrying Value					
At December 31, 2017	369,434	69,904	200,380	13,133	652,851
At December 31, 2018	369,434	279,244	1,138,196	311,381	2,098,255

5. NON-CONTROLLING INTEREST

The Company gained control of Gazania, whose sole asset was a license to mine the Aukam project, by earning a 52% interest on February 24, 2017. Up to the acquisition date, the Company had incurred acquisition and exploration costs (deferred acquisition costs) of $1,317,844 which were reallocated to exploration and evaluation assets upon acquisition and consolidation of Gazania in accordance with IFRS 10. Concurrent with the recognition of $1,317,844 as exploration and evaluation assets, the exploration and evaluation assets were grossed up by an amount of $1,216,620 to account for the recognition of the non-controlling interests.

The Company thereafter obtained an additional 11% of Gazania on March 31, 2017, at which time the non-controlling interest was decreased by $316,932, representing the value of the exploration and evaluation asset given up by the non-controlling interest.

Next Graphite has a free carried interest in the Company until a specified period after the conclusion of the farm-in period. Accordingly, the non-controlling interest has been increased by $210,285 (2017 - $260,765) to reflect their interest in the funding. Changes to the non-controlling interest have been offset to reserves.

Expressed in Canadian Dollars

A reconciliation of the non-controlling interest is as follows:

	December 31, 2018	December 31, 2017
Opening balance /Initial recognition of NCI	$ 1,160,305	$ 1,216,620
NCI dilution of interest	-	(316,932)
NCI free carried interest	210,285	260,765
Ending balance	$ 1,370,590	$ 1,160,305

6. SHARE CAPITAL, OPTIONS, AND WARRANTS

(I)Common Shares

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

(a)During the year ended December 31, 2018:

i) A non-brokered private placement of 23,425,000 units at a price of $0.10 per unit for aggregate gross proceeds of $2,342,500 was completed. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of $0.20 per share until the earlier of August 10, 2021, or in the event that the closing price of the common shares is at least $0.30 for ten consecutive trading days, and the tenth trading day is at least four months from the closing date, the date which is thirty (30) days from the tenth trading day. Officers, directors, the wife and daughter of one of the co-CEO's, and a company of which one of the Company's co-CEO's is the CEO, participated in the private placement in the amount of $876,500.

The Company paid cash share issue costs of $129,971 and issued 942,500 broker warrants in relation to the sale of the units. Each broker unit entitles the holder to acquire one common share of the company at a price of $0.10 for a period of three years.

ii) A non-brokered private placement of 25,000,000 units at a price of $0.10 per unit for aggregate gross proceeds of $2,500,000 was completed. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of $0.20 per share until the earlier of December 11, 2021, or in the event that the closing price of the common shares is at least $0.30 for ten consecutive trading days, and the tenth trading day is at least four months from the closing date, the date which is thirty (30) days from the tenth trading day. Officers, directors and the wife of one of the co-CEO's participated in the private placement in the amount of $284,200.

The Company paid cash share issue costs of $137,934 and issued 962,400 broker warrants in connection with the sale of the units. Each broker warrant entitles the holder to acquire one common share of the company at a price of $0.10 for a period of three years.

Expressed in Canadian Dollars

(b)During the year ended December 31, 2017:

i) A private placement of 15,045,000 units at a price of $0.09 per unit for aggregate gross proceeds of $1,354,050 and 4,100,000 flow through shares at a price of $0.10 for gross proceeds of $410,000 was completed. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.20 until the March 29, 2020 subject to an acceleration clause.

A value of $41,000 was attributed to a flow through premium liability.

The Company issued to the finders 1,504,500 broker warrants valued at $156,843 which entitles the holder to acquire one unit of the Company at $0.09 for a period of two years from the closing of the placement. Each unit comprises one common share of the Company and a share purchase warrant exercisable at $0.20 for a period of three years from the initial financing. The Company also issued 410,000 broker warrants valued at $41,022 which entitles the holder to acquire one common share of the Company at $0.10 for a period of two years from the closing of the placement. In addition, the Company paid cash commissions to the finders totaling $176,405.

ii) Completed a private placement of 39,909,143 units at a price of $0.07 per unit for aggregate gross proceeds of $2,793,640. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.10 until November 24, 2020, subject to an acceleration clause

The Company issued to the finders 2,160,140 broker warrants valued at $100,995. Each broker warrant entitles the holder to acquire one common share of the Company at $0.07 for a period of three years. In addition, the Company paid cash commissions to the finders totaling $151,210.

(II)Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, and the exercise price to be determined by the Board at the time the option is granted.

(a)During the year ended December 31, 2018, the Company:

Granted 7,250,000 stock options with an estimated fair value of $795,782, of which 5,600,000 stock options with a value of $637,920 were issued to directors and officers. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	145.0%
Risk-free interest rate	2.020%
Expected life of options	5 years

All of the options granted vested immediately, except for 650,000 which vested 25% on October 2, 2018 and 25% every six months to March 10, 2020.

Expressed in Canadian Dollars

(b)During the year ended December 31, 2017, the Company:

Granted 9,950,000 stock options with a fair value of $1,041,000, of which $824,243 relates to 7,725,000 stock options being issued to directors, officers and consultants recorded as share based compensation, were granted. The fair value of options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	89.2%
Risk-free interest rate	0.008%
Expected life of options	5 years

A summary of option transactions is as follows:

	Number of options	**Weighted average exercise price**
Balance, December 31, 2016	2,250,000	0.110
Granted	9,950,000	0.130
Expired/Cancelled	(1,636,666)	0.140
Balance, December 31, 2017	10,563,334	0.130
Granted	7,250,000	0.130
Exercised	(300,000)	0.090
Expired/Cancelled	(1,263,334)	0.135
Balance, December 31, 2018	16,250,000	0.128

A summary of options outstanding at December 31, 2018 is as follows:

Exercise price	**Number outstanding**	**Number exercisable**	**Remaining contractual life in months**	**Weighted average exercise price**
0.100	450,000	450,000	26	0.100
0.170	3,750,000	3,750,000	39	0.170
0.070	900,000	900,000	44	0.070
0.100	3,900,000	3,900,000	48	0.100
0.140	250,000	250,000	48	0.100
0.145	850,000	850,000	52	0.145
0.145	300,000	300,000	53	0.145
0.115	650,000	162,500	57	0.115
0.130	5,200,000	5,200,000	60	0.130
	16,250,000	15,762,500		0.128

Expressed in Canadian Dollars

(III)Warrants

Following is a summary of warrant activity for the years ended December 31, 2018 and 2017:

	Number of Warrants	Weighted average exercise price $
Balance, December 31, 2016	15,070,021	0.13
Granted	59,028,783	0.12
Exercised	(1,341,877)	0.10
Expired	(13,589,144)	0.13
Balance, December 31, 2017	59,167,783	0.12
Granted	50,329,900	0.20
Exercised	(8,886,750)	0.12
Balance, December 31, 2018	100,610,933	0.16

As at December 31, 2018 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted Average Exercise Price $	Fair Value $
March 29, 2019	1,420,500	0.09	147,461
March 29, 2020	96,000	0.20	-
March 29, 2020	13,445,000	0.20	-
March 29, 2019	410,000	0.10	41,022
November 24, 2020	33,209,143	0.10	-
November 24, 2020	1,700,390	0.07	77,770
August 10, 2021	23,425,000	0.20	-
August 10, 2021	942,500	0.10	83,848
December 11, 2021	25,000,000	0.20	-
December 11, 2021	962,400	0.10	98,881
	100,610,933	0.16	

The fair value of the 1,904,900 warrants granted during the year ended December 31, 2018 (2017 – 4,074,640) had an estimated value of $182,729 (2017 - $298,860) on the date of the grant, valued using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2018	December 31, 2017
Expected dividend yield	0.00%	0.00%
Stock price volatility	103.4%	92.3%
Risk-free interest rate	2.08%	1.10%
Expected life of warrants	3 Years	2 years

Expressed in Canadian Dollars

7. RELATED PARTY TRANSACTIONS

The Company has determined that key management consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. The Company paid or accrued the following amounts to key management, and private corporations owned by them:

	2018	**2017**
	$	**$**
Consulting fees of key management expensed	687,049	318,667
Consulting fees of key management charged to exploration and evaluation assets and property and equipment	160,000	67,746
Consulting fees of key management charged to prepaid expenses (1)	216,667	-
Share-based payments	637,720	824,243
	1,701,436	1,210,656

(1) All of 2019 fees for one of the co-CEO's, and one month for the other, were prepaid at December 31, 2018.

Legal fees in the amount of $84,418 (2017 – Nil) were paid or payable to a law firm whose partner is an officer of the Company.

Included in accounts payable and accrued liabilities at December 31, 2018 and 2017 was $81,639 (2017 – 133,745) owing to directors, and officers, companies owned by directors and officers, and a law firm whose partner is a director and an officer of the Company. These amounts are unsecured, non-interest bearing and due on demand.

During 2018 the Company paid office rent to ThreeD Capital Inc., a company of which one of the Company's co-CEO's is the CEO, an amount of $36,000.

Officers, directors, the wife and daughter of one of the co-CEO's, and a company of which one of the Company's co-CEO's is the CEO, participated in the private placements during the year in the amount of $1,160,700.

8. SEGMENTED INFORMATION

The Company's primary business activity is the acquisition and exploration of mineral properties in Canada and Namibia. The assets used in each location are as follows at December 31, 2018:

	2018	**2017**
	$	**$**
Exploration and evaluation assets		
Canada	1,298,763	1,064,104
Namibia	3,704,299	3,135,959
	5,003,062	4,200,063
Property and equipment		
United Kingdom	541,470	-
Namibia	1,556,785	652,851
	2,098,255	652,851

Expressed in Canadian Dollars

9. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as its equity, is to safeguard its ability to continue as a going concern, and to pursue the exploration and evaluation of its properties. 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 and seeks to retain sufficient equity to ensure that cash flows from assets will be sufficient to meet future cash flow requirements. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending. The Company is subject to flow-through obligations to investors, which require it to use the funds raised through the issue of "flow-through shares" on exploration expenditures. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital. 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 lending institution or regulatory body.

10. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 - 26.5%) were as follows:

	2018 $	2017 $
Combined Canadian statutory income tax rate	26.50%	26.50%
Loss before income taxes	(3,397,169)	(1,837,992)
Expected income tax recovery based on statutory rate	(900,000)	(478,000)
Adjustment to expected income tax benefit:		
Share issue costs and other	(36,000)	(238,000)
Permanent differences	211,000	263,000
Change in unrecognized temporary differences	732,000	381,000
Impact of flow through shares	(7,000)	72,000
Deferred income tax recovery	-	-

Expressed in Canadian Dollars

b) The tax effects of temporary differences that give rise to deferred income tax assets and liabilities at December 31, 2018 and 2017 are as follows:

	2018	**2017**
	$	**$**
Deferred tax assets (liabilities):		
Capital assets	78,000	16,000
Share issue costs	122,000	127,000
Non-capital losses carried forward	2,371,000	1,677,000
Mining interests	283,000	303,000
Unrecognized deferred tax assets	(2,854,000)	(2,123,000)
Net deferred income tax liability	-	-

c) Losses Carried Forward

As at December 31, 2018, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $8,948,000 (2017 - $6,150,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2038 as follows.

	Canada
Expiry	$
2026	40,000
2027	9,000
2028	126,000
2029	267,000
2030	316,000
2031	899,000
2032	701,000
2033	750,000
2034	596,000
2035	582,000
2036	823,000
2037	1,078,000
2038	2,761,000
	8,948,000

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is measured on level 1 of the fair value hierarchy. The carrying amounts for amounts receivable, and accounts payable and accrued liabilities approximate their estimated fair value due to the short-term nature of these financial instruments.

Amounts receivable is classified as amortized cost and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly during the year.

Credit Risk
The Company's credit risk is primarily attributable to amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instrument included in amounts receivable is remote.

Liquidity Risk
The Company's main source of liquidity is derived from its common stock issuances. As at December 31, 2018 and 2017, the Company had current assets of $2,904,232 (December 31, 2017 $2,500,166) to settle current liabilities of $482,669 (December 31, 2017 $293,280). The Company's financial liabilities generally have contractual maturities that are subject to normal trade terms.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment grade short term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

Market Risk
Foreign Currency Risk
The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price Risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

Sensitivity Analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:
(i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
(ii) The Company holds balances in foreign currencies that give rise to exposure to foreign exchange risk, however at any point in time the balances are not significant. The Company estimates that a 10% increase or decrease in the foreign currency would give rise to a gain or loss of approximately $20,000 respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to government laws and regulations, including tax laws, and laws and regulations governing the protection of the environment. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for any identified obligations, based on management's estimate at the time. Such estimates are, however, subject to changes in laws and regulations.

The Company has indemnified the subscribers of flow-through share offerings pursuant to subscription agreements with investors for amounts that may become payable by the shareholder as a result of the Company not having met its expenditure commitments on qualified items.

The Company has consulting agreements with each of its co-CEO's providing for a monthly retainer of $16,667 each. The agreements:

a) Are terminable by the Company on six months' notice.
b) Contain a change of control clause providing that, in the event of a change in control, a lump sum payment equivalent to 24 months retainer fees will be paid.

The Company has a consulting agreement with its CFO providing for a monthly retainer of $4,000. The agreement is terminable by either party on one month's notice.

13. SUBSEQUENT EVENTS

1,824,500 warrants to purchase common shares of the Company with a weighted average exercise price of $0.09 per share expired, and 993,000 warrants to purchase common shares were exercised at a weighted average exercise price of $0.099.