TORQ RESOURCES

(An exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars unless otherwise stated)

Independent Auditor's Report

To the Shareholders of Torq Resources Inc.

Opinion

We have audited the consolidated financial statements of Torq Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not 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, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 Cameron Walls.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columba
April 28, 2020

TORQ RESOURCES INC.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2019	2018
Assets		
Current:		
Cash and cash equivalents	$ 10,838,021	$ 12,437,975
Amounts receivable	24,933	18,125
Prepaid expenses and deposits	187,782	213,776
Total assets	**$ 11,050,736**	**$ 12,669,876**
Liabilities and Equity		
Liabilities		
Current:		
Accounts payable and accrued liabilities	$ 219,258	$ 229,335
Gecon financial liability (note 5)	–	68,210
Total liabilities	**219,258**	**297,545**
Equity		
Share capital	48,977,100	48,977,100
Share option and warrant reserve	8,435,631	8,302,518
Accumulated other comprehensive loss	(19)	(3,789)
Deficit	(46,581,234)	(44,903,498)
Total equity	**10,831,478**	**12,372,331**
Total liabilities and equity	**$ 11,050,736**	**$ 12,669,876**

Approved on behalf of the Board of Directors:

"Michael Kosowan"
Director

"Jeffrey Mason"
Director

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

TORQ RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except per share amounts)

		Year ended December 31, 2019		2018
Operating expenses				
Exploration and evaluation (recovery) costs (note 6)	$	(4,914)	$	1,303,316
Fees, salaries and other employee benefits		876,845		1,433,218
Investor relations and marketing		124,651		376,545
Legal and professional fees		66,544		99,759
Office and administration		231,198		224,148
Regulatory, transfer agent and shareholder information		62,355		86,819
		1,356,679		3,523,805
Other expenses (income)				
Project investigation costs (note 7)		529,857		702,241
Interest income		(245,363)		(280,861)
Change in fair value of Gecon financial liability		(1,205)		(82,839)
Gain on settlement of Gecon financial liability (note 5)		(67,005)		–
Gain on disposition of Gecon investment (note 5)		(2,087)		–
Impairment of mineral property interests (note 4(c))		–		1,159,083
Foreign exchange loss (gain)		106,860		(147,872)
		321,057		1,349,752
Loss for the year		**1,677,736**		**4,873,557**
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Unrealized currency gain on translation of foreign operations		(3,770)		(524)
Other comprehensive income for the year		**(3,770)**		**(524)**
Total comprehensive loss for the year	**$**	**1,673,966**	**$**	**4,873,033**
Basic and diluted loss per share (note 15)	$	0.02	$	0.06
Weighted average number of common shares outstanding (basic and diluted) (note 15)		77,324,164		77,324,164

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

TORQ RESOURCES INC.
Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2017	**77,324,164**	**48,977,100**	**7,094,897**	**(4,313)**	**(40,029,941)**	**16,037,743**
Comprehensive income (loss) for the year	–	–	–	524	(4,873,557)	(4,873,033)
Share-based compensation (note 9)	–	–	1,207,621	–	–	1,207,621
Balance at December 31, 2018	**77,324,164**	**$ 48,977,100**	**$ 8,302,518**	**$ (3,789)**	**$ (44,903,498)**	**$ 12,372,331**
Comprehensive income (loss) for the year	–	–	–	3,770	(1,677,736)	(1,673,966)
Share-based compensation (note 9)	–	–	133,113	–	–	133,113
Balance at December 31, 2019	**77,324,164**	**$ 48,977,100**	**$ 8,435,631**	**$ (19)**	**$ (46,581,234)**	**$ 10,831,478**

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

TORQ RESOURCES INC.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2019	2018
Cash (used in) provided by:		
Operating activities:		
Loss for the year	$ (1,677,736)	$ (4,873,557)
Items not involving cash:		
Share-based compensation (note 9)	133,113	1,207,621
Change in fair value of Gecon financial liability	(1,205)	(82,839)
Gain on settlement of Gecon financial liability (note 5)	(67,005)	–
Gain on disposition of Gecon investment (note 5)	(2,087)	–
Unrealized foreign exchange loss (gain)	106,140	(141,999)
Interest income	(245,363)	(280,861)
Impairment of mineral property interests (note 4(c))	–	1,159,083
Changes in non-cash working capital:		
Amounts receivable	(6,822)	310,598
Prepaid expenses and deposits	25,838	(131,012)
Accounts payable and accrued liabilities	(9,925)	(322,393)
Cash used in operating activities	(1,745,052)	(3,155,359)
Investing activities:		
Mineral property acquisition costs	–	(134,164)
Acquisition of Rush Valley Exploration Inc. (note 4(b))	–	(138,845)
Disposition of Gecon investment (note 5)	1,974	–
Interest received	245,363	280,861
Cash provided by investing activities	247,337	7,852
Effect of foreign exchange rate changes on cash	(102,239)	140,775
Decrease in cash	(1,599,954)	(3,006,732)
Cash and cash equivalents, beginning of the year	12,437,975	15,444,707
Cash and cash equivalents, end of the year	**$ 10,838,021**	**$ 12,437,975**

Supplemental cash flow information (note 12)

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

1. Corporate information

Torq Resources Inc. (the "Company" or "Torq") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer. The Company's shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF. The head office and principal address of Torq is located at 1199 West Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests with focus in the Americas.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the financial year ended December 31, 2019. IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 28, 2020.

(b) Basis of preparation and consolidation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of the Rush Valley Exploration Inc. ("RVX") loan which is measured at fair value (note 4(b)) and the Gecon financial liability which was measured at fair value up until settlement (note 5).

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in United States dollars ("USD") are denoted as US$.

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Stratton Resources (Canada) Inc.	BC, Canada	CAD	100%
Torq Resources Holdings Inc.	BC, Canada	CAD	100%
Torq USA Inc.	Nevada, USA	USD	100%
Candelaria Minerals S.A.C ("Candelaria")	Peru	USD	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

On December 26, 2019, the Company incorporated a Peruvian subsidiary, Candelaria, and has consolidated it as of that date.

On July 30, 2019, the Company entered a share transfer agreement (the "Share Transfer Agreement") to sell its shares of Gecon OOD ("Gecon") (note 5). As a result of the disposition, the Company no longer exercises control over Gecon and has deconsolidated Gecon as of that date.

For the period between May 8, 2018 and November 30, 2018 the Company also consolidated the accounts and results of RVX. During this period the Company determined it had effective control over RVX pursuant to the share exchange agreement entered May 8, 2018 and subsequently terminated on November 30, 2018 (see note 4(b)).

Intercompany balances and transactions have been eliminated on consolidation.

2. Basis of presentation (continued)

(c) Critical accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - Business Combinations. The Company determined that RVX (note 4(b)) did not meet the criteria for a business based on the indicators outlined by IFRS 3. As such, the Company determined that the acquisition of RVX was not a business combination and accordingly it was accounted for as an asset acquisition.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

i. Deferred tax assets and liabilities (note 14)

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

ii. Valuation of RVX loan (note 4(b))

Management judgment and estimates are required in determining the expected cash settlement value and associated timing of cash settlement in estimating the fair value of the RVX loan. These inputs are not based on observable market-based measures and accordingly are subject to heightened risk and uncertainty. Changes in circumstances may alter expectations which may impact the fair value of the RVX loan recognized on the consolidated statements of financial position. Changes in the fair value of the RVX loan are recognized on the consolidated statements of loss and comprehensive loss in the period in which such changes occur.

iii. Share-based compensation (note 9)

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 rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's loss and equity reserves.

3. Summary of significant accounting policies

(a) Foreign currency translation

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. The presentation and functional currency of the Company and each of its Canadian subsidiaries is the Canadian dollar, while the functional currency of its American and Peruvian entities is the United States dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

For subsidiaries whose functional currency differs from the presentation currency of the Company, foreign currency balances and transactions are translated into the presentation currency as follows:

- Assets and liabilities are translated at the rates of exchange at the consolidated balance sheet date;
- Interest and other income and expenses are translated at average exchange rates throughout the reporting period or at rates that approximate the actual exchange rates; items such as depreciation are translated at the monthly average exchange rate;
- Exchange gains and losses on translation are included in other comprehensive loss and only subsequently recognized in comprehensive loss upon the substantial disposition, liquidation or closure of the entity that gave rise to such amounts.

(b) Financial instruments

The Company recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as FVTPL for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

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

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets classified as amortized cost include cash and amounts receivable.

3. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

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

The Company does not have any financial assets classified as FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in note 11. The Company's RVX loan is recorded at FVTPL.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

As at December 31, 2018, the Gecon financial liability was a financial liability classified at FVTPL (note 5).

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

3. Summary of significant accounting policies (continued)

(c) Mineral property interests

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties, in addition the Company does not carry mineral property title insurance. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties ("IFRS 6").

Costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed in the period in which they are incurred as exploration and evaluation costs on the consolidated statement of loss and comprehensive loss.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

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

When a project is deemed to no longer have commercially viable prospects to the Company, all capitalized acquisition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

(d) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. 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 which estimates of future cash flows have not been adjusted.

3. Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets (continued)

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the statement of comprehensive loss.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(f) Loss per share

Basic loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the share options and warrants based on the treasury share method.

(g) Share-based payments

From time to time, the Company grants share options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the net loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the net loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. Summary of significant accounting policies (continued)

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a reduction in the asset is recognized. 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.

(i) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Financial assets that are classified as FVTOCI (none as at December 31, 2019 or 2018) will have gains and losses included in other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

(j) Changes in accounting standards

i) New accounting standards effective January 1, 2019

- Leases

  In January 2016, the IASB published a new accounting standard, IFRS 16 - Leases ("IFRS 16") which superseded IAS 17 - Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset during the term of the lease. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

  The Company adopted IFRS 16 effective January 1, 2019 following the modified retrospective approach and made the following elections under IFRS 16:

  - to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short term leases (lease term of 12 months or less) and low value assets; and
  - to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

The adoption of IFRS 16 did not have a material impact on the Company's financial statements. Due to the seasonality of the Company's exploration programs, its exploration and other contracts are short-term in nature and therefore are exempt from the recognition provisions of IFRS 16.

3. Summary of significant accounting policies (continued)

(j) Changes in accounting standards (continued)

ii) New and amended accounting standards not yet effective for the year ended December 31, 2019

In October 2018 the IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments, which are effective for annual reporting periods beginning on or after January 1, 2020, clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

The adoption of the amended standard will not have an immediate impact on the Company's consolidated financial statements but will be applied in assessing any future business combination and asset acquisition scenarios.

4. Mineral property interests

a) Newfoundland exploration projects

On October 28, 2016, the Company entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the "Wildwood Option"). Effective October 19, 2018, the Company terminated the Wildwood Option and elected not to proceed with further exploration at its mineral properties in Newfoundland. During the year ended December 31, 2018, the Company wrote off acquisition costs previously capitalized in relation to these mineral properties. There is no remaining balance as at December 31, 2019.

b) Utah exploration projects

Speedway Gold Project

On March 15, 2018, the Company entered a mineral lease agreement (the "Speedway Agreement") with Geological Services Inc. to acquire the rights to the Speedway gold project. Under the terms of the Speedway Agreement, the Company paid US$25,000 upon signing and would be required to pay steadily escalating annual lease payments as well as the underlying claim fees. There was no required work commitment and the Speedway Agreement could be terminated at any time or bought-out at any time for US$1,000,000 subject to a buyable 2% royalty to the underlying owner.

On January 24, 2019 the Company provided notice to Geological Services Inc. terminating the Speedway Agreement and as a result, recorded an impairment against the value of the mineral properties for the year ended December 31, 2018. As at December 31, 2019, there are no remaining costs capitalized in relation to this property.

West Mercur Gold Project

On May 8, 2018, the Company entered a share exchange agreement with RVX and its three principal shareholders (the "Mercur Agreement") to acquire a 100% interest in RVX and the West Mercur gold project. Under the terms of the Mercur Agreement, to acquire RVX, the Company could pay US$2.4 million in a combination of cash and common shares to RVX's shareholders, at any time within a two-year period. Prior to the date of execution, the Company had advanced a total of $398,074 of interim funding that was used to cover a shortfall in RVX's working capital.

The Company determined that, as of May 8th, 2018, the Company had effective control over RVX and accounted for the transaction as an asset acquisition as of that date.

(Expressed in Canadian Dollars, unless otherwise stated)

4. Mineral property interests (continued)

b) Utah exploration projects (continued)

The allocation of the purchase price based on the relative fair value of assets acquired and liabilities assumed at that date was as follows:

Total purchase price:	
Cash advanced to RVX as of May 8th, 2018	$ 398,074
Transaction costs associated with the acquisition	94,246
Total purchase price to allocate	$ 492,320
Cost of assets acquired and liabilities assumed:	
Cash and cash equivalents[1]	$ 353,474
Mineral properties	490,830
Accounts payable and accrued liabilities	(351,984)
	$ 492,320

[1] Includes $350,001 of cash advanced upon signing of the Mercur Agreement and net cash used in the acquisition of RVX was $138,845.

On October 1, 2018, the Company provided notice to RVX that it would be terminating the Mercur Agreement effective November 30, 2018. As a result, the Company recorded an impairment against the value of the mineral properties as at September 30, 2018 and deconsolidated RVX as of November 30, 2018. At the time of deconsolidation, the full amount that had been advanced to RVX under the Mercur Agreement of $806,119 was recognized as a loan in accordance with the terms of the Mercur Agreement and recorded at its fair value of $nil as at November 30, 2018 as it was not expected to be recoverable. There has been no change during the year ended December 31, 2019 and the RVX loan fair value remains at $nil.

c) The following is a continuity of mineral property interest acquisition costs:

	Newfoundland	Utah	Total
Balance as at December 31, 2017	**$ 534,344**	**$ -**	**$ 534,344**
Direct acquisition costs	50,000	558,830	608,830
Other acquisition costs	-	16,164	16,164
Impairment of mineral property interests	(584,344)	(574,739)	(1,159,083)
Currency translation adjustment	-	(255)	(255)
Balance as at December 31, 2018 and December 31, 2019	**$ -**	**$ -**	**$ -**

5. Gecon

Effective November 16, 2016, pursuant to an investment agreement (the “Investment Agreement”), the Company acquired a beneficial interest in 100% of the capital of a Bulgarian shell company, Gecon, for the purposes of establishing mineral exploration operations in the country. Pursuant to the Investment Agreement between the Company and Gecon’s former shareholder, the Company would be required to pay a minimum of USD 50,000 and a maximum of USD 200,000 at any time within a 3-year period of signing the Investment Agreement in exchange for its beneficial interest in Gecon.

In January 2019 the Company made the decision not to further pursue its operations in Bulgaria and to return Gecon to its former shareholder. On June 5, 2019 the Company entered a framework agreement with the former shareholder which resulted in the termination of the Investment Agreement and the Company’s underlying financial liability. As a result, the Company recorded a gain of $67,005 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019. Changes in fair value of the liability up until the date of settlement were recorded in the consolidated statement of loss and comprehensive loss.

On July 30, 2019, the Company completed the sale of its shares in Gecon to the former shareholder, by way of the Share Transfer Agreement, in exchange for EUR 1,384 ($1,974). As a result, the Company deconsolidated Gecon and recorded a gain of $2,087 through the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019.

(Expressed in Canadian Dollars, unless otherwise stated)

6. Exploration and evaluation (recovery) costs

For the year ended December 31, 2019 the Company recorded an exploration and evaluation cost recovery broken down as follows:

	Newfoundland	Utah	Total
Aircraft and travel	$ 1,164	$ -	$ 1,164
Assays	5,009	-	5,009
Project support cost	4,312	-	4,312
Wages and consultants	4,581	328	4,909
Total exploration and evaluation cost for the year	15,066	328	15,394
Government grant received	(20,308)	-	(20,308)
Total for the year ended December 31, 2019	$ (5,242)	$ 328	$ (4,914)

During the year ended December 31, 2019 the Company completed all further activities to ensure the abandoned properties were left in good standing as required under the Wildwood Option and Speedway Agreement. Additionally, the Company worked towards securing a Government of Newfoundland and Labrador grant in relation to the work that was completed during 2018 and as a result received an amount of $20,308 which was recorded as an offset against the exploration and evaluation costs incurred on the Newfoundland projects.

For the year ended December 31, 2018 the Company's exploration and evaluation costs are broken down as follows:

	Newfoundland	Utah	Total
Aircraft and travel	$ 12,697	$ 80,939	$ 93,636
Assays	169,369	84,639	254,008
Environmental and permitting	-	165,454	165,454
Equipment rental and maintenance	3,030	7,485	10,515
Project support cost	10,785	16,058	26,843
Wages and consultants	96,745	544,695	641,440
Share-based compensation	135,940	45,611	181,551
Total exploration and evaluation cost for the year	428,566	944,881	1,373,447
Government grants received	(70,131)	-	(70,131)
Total for the year ended December 31, 2018	**$ 358,435**	**$ 944,881**	**$ 1,303,316**

During the year ended December 31, 2018, the Company was awarded a grant from the Government of Newfoundland and Labrador in the amount of $70,131 which was recorded as an offset against the exploration and evaluation costs incurred on the Newfoundland projects.

7. Project investigation costs

	Year ended December 31, 2019	2018
Aircraft and travel	$ 100,222	$ 55,982
Assays	2,334	5,880
Equipment, vehicles rent and field supplies	7,700	4,985
Geological consulting, salaries and wages	378,435	344,231
Project support costs	25,008	24,120
Share-based compensation	16,158	267,043
	$ 529,857	**$ 702,241**

8. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

There were no common share issuances during the year ended December 31, 2019 and 2018.

(Expressed in Canadian Dollars, unless otherwise stated)

9. Share option and warrant reserve

Share-based options

The Company maintains a Rolling Share-based Option Plan providing for the issuance of share options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time share options to its directors, officers, employees and other service providers. The share options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

The continuity of the number of share options issued and outstanding is as follows:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2017	6,440,000	$ 0.85
Granted	195,000	0.50
Expired	(87,500)	0.85
Forfeited	(71,250)	0.85
Outstanding, December 31, 2018	6,476,250	$ 0.84
Granted	515,000	0.56
Expired	(471,250)	0.83
Forfeited	(150,000)	0.62
Outstanding, December 31, 2019	**6,370,000**	**$ 0.82**

As at December 31, 2019, the number of share options outstanding and exercisable was:

	Outstanding			Exercisable		
Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	5,860,000	$ 0.85	2.67	5,860,000	$ 0.85	2.67
Sep 21, 2023	195,000	0.50	3.73	170,625	0.50	3.73
Apr 1, 2024	250,000	0.50	4.25	125,000	0.50	4.25
Jun 20, 2024	65,000	0.62	4.47	32,500	0.62	4.47
	6,370,000	$ 0.82	2.78	6,188,125	$ 0.83	2.74

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the years ended December 31, 2019 and 2018 the Company recognized share-based compensation expense as follows:

	Year ended December 31, 2019	2018
Recognized in net loss:		
Included in exploration and evaluation costs	$ -	$ 181,551
Included in fees, salaries and other employee benefits	116,955	759,026
Included in project investigation costs	16,158	267,044
	$ 133,113	**$ 1,207,621**

The fair value of the share options granted during the years ended December 31, 2019 and 2018 was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

	Year ended December 31, 2019	2018
Risk-free interest rate	1.47%	2.27%
Expected dividend yield	Nil	Nil
Share price volatility	68%	100%
Expected life in years	4.0	4.1

(Expressed in Canadian Dollars, unless otherwise stated)

9. Share option and warrant reserve (continued)

Share purchase warrants

During the year ended December 31, 2019 and 2018, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

10. Related party transactions

All transactions with related parties have occurred in the normal course of operations. All amounts payable and receivable are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Year ended December 31,	
	2019	**2018**
Universal Mineral Services Ltd. [1]		
Included in the statement of loss and comprehensive loss:		
Exploration and evaluation costs		
Newfoundland	$ 4,581	$ 76,559
Utah	328	146,061
Fees, salaries and other employee benefits	314,769	277,835
Investor relations and marketing	83,512	75,569
Office, rent and administration	210,920	212,886
Project investigation costs	315,007	123,049
Regulatory, transfer agent and shareholder information	367	119
Total transactions for the year	**$ 929,484**	**$ 912,078**

1) Universal Mineral Services Ltd., ("UMS") is a private company with certain directors and officers in common. Pursuant to an agreement dated December 30, 2015, UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis.

As at December 31, 2019, the Company's accounts payable and accrued liabilities include an amount owing to UMS of $176,360 (December 31, 2018 - $178,941). In addition, the Company has $150,000 on deposit with UMS, recognized within prepaid expenses and deposits, as at December 31, 2019 (December 31, 2018 - $150,000).

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its three executives and three directors:

	Year ended December 31,	
	2019	**2018**
Short-term benefits provided to executives	$ 392,271	$ 324,078
Directors fees paid to non-executive directors	31,173	15,584
Share-based compensation	69,426	557,807
	$ 492,870	**$ 897,469**

11. Financial instruments

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);

Level 3 – Inputs for the asset or liability that are not based upon observable market data.

(Expressed in Canadian Dollars, unless otherwise stated)

11. Financial instruments (continued)

As at December 31, 2019 the Company's financial instruments consist of cash, amounts receivable, the RVX loan, and accounts payable and accrued liabilities. The fair values of these financial assets and liabilities, with the exception of the RVX loan which is measured at fair value, approximate their carrying values due to their short-term maturity.

As at December 31, 2019, the only financial instrument measured at fair value is the RVX loan which is classified under level 3 of the fair value hierarchy. The RVX loan was measured at its fair value of $nil on initial recognition at November 30, 2018 and on subsequent measurements at December 31, 2019 and 2018. As at December 31, 2018, and up until its settlement, the Gecon financial liability was also measured at fair value and classified under level 3.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at December 31, 2019 the primary risks were as follows:

(a) Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risk to which the Company is exposed is:

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. As at December 31, 2019 and 2018, the Company's foreign currency exposure related to its financial assets and liabilities held in foreign currencies is as follows:

	December 31, 2019	**December 31, 2018**
	US$	US$
Cash	1,972,696	2,162,215
Accounts payable and accrued liabilities	(5,968)	(330)
Gecon financial liability	-	(68,210)
	1,966,728	2,093,675

A 10% increase or decrease in the US dollar exchange rates would result in an increase/decrease of approximately $196,673 in the Company's net loss for the year ended December 31, 2019.

12. Supplemental cash flow information

Cash and cash equivalents at December 31, 2019 included $28,750 (December 31, 2018 - $28,750) held in a guaranteed investment certificate as security against corporate credit cards.

13. Segmented information

The Company operates as one operating segment, being the acquisition, exploration and development of mineral resource properties and does not have any non-current assets as at December 31, 2019 and 2018.

(Expressed in Canadian Dollars, unless otherwise stated)

14. Income taxes

(a) Income tax recovery provision

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	December 31, 2019	December 31, 2018
Net loss for the year before income taxes	$ (1,677,736)	$ (4,873,557)
Canadian federal and provincial income tax rates	27%	27%
Expected income tax recovery	(452,989)	(1,315,860)
Increase (decrease) in income tax recovery resulting from:		
Share-based compensation	35,941	326,058
Differences in future and foreign jurisdiction tax rates	(114,641)	16,057
Non-deductible expenses and other	138,874	171,339
Increase in unrecognized tax assets	392,815	802,406
Income tax recovery provision	**$ -**	**$ -**

(b) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2019	December 31, 2018
Exploration and evaluation assets	$ 10,115,509	$ 10,079,065
Non-capital losses carried forward	11,967,514	10,979,862
Capital losses carried forward	1,763,605	1,515,790
Share issuance costs and other	271,768	438,107
	$ 24,118,396	**$ 23,012,824**

(c) Tax losses

The Company has accumulated non-capital losses of $11,967,514 in Canada as at December 31, 2019 (December 31, 2018 - $10,301,936) for income tax purposes, which may be carried forward to reduce taxable income of future years. The Canadian non-capital losses will, if unused, expire in:

Year of expiry	Amount
2026	$ 627,760
2027	1,036,992
2028	682,444
2029	652,086
2030	981,145
2031	1,465,623
2032	869,967
2033	890,382
2034	154,636
2035	152,042
2036	195,067
2037	1,177,376
2038	1,398,694
2039	1,683,300
	$ 11,967,514

As at December 31, 2019, after the disposal of Gecon during 2019 (note 5), the Company no longer has non-capital losses to carry forward in Bulgaria (December 31, 2018 - $677,926).

The Company has accumulated capital losses of $1,763,605 (December 31, 2018 – $1,515,790) in Canada which may be carried forward indefinitely and used to reduce capital gains in future years.

(Expressed in Canadian Dollars, unless otherwise stated)

15. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	Year ended December 31, 2019	2018
Loss attributable to ordinary shareholders	$ 1,677,736	$ 4,873,557
Weighted average number of common shares	77,324,164	77,324,164
Basic and diluted loss per share	**$0.02**	**$0.06**

All of the outstanding share-purchase options at December 31, 2019 and 2018 were antidilutive for the years then ended as the Company was in a loss position.

16. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company is determined as follows:

	Year ended December 31, 2019	2018
Equity	$ 10,831,478	$ 12,372,331
Less cash and cash equivalents	(10,838,021)	(12,437,975)
	$ (6,543)	**$ (65,644)**

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its company objectives, being the acquisition and exploration of mineral properties. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.