# ARIZONA METALS CORP.
# (FORMERLY RING THE BELL CAPITAL CORP.)
# CONSOLIDATED FINANCIAL STATEMENTS
# YEARS ENDED DECEMBER 31, 2019 AND 2018
# (EXPRESSED IN CANADIAN DOLLARS)

McGovern Hurley

Audit. Tax. Advisory.

## Independent Auditor's Report

To the Shareholders of Arizona Metals Corp.

### Opinion

We have audited the consolidated financial statements of Arizona Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows 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 consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The consolidated financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on July 19, 2019.

### Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2019 and, as of that date, the Company had cash outflows from operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
April 29, 2020

## ARIZONA METALS CORP. (formerly Ring The Bell Capital Corp.)
**Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| As at December 31, | | 2019 | | 2018 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **1,611,891** | $ | 406,333 |
| Sales tax recoverable | | **87,283** | | 16,245 |
| Prepaid expenses (note 11) | | **569,577** | | 35,558 |
| **Total current assets** | | **2,268,751** | | 458,136 |
| **Non-current assets** | | | | |
| Reclamation bond (note 11) | | **57,344** | | - |
| **Total assets** | **$** | **2,326,095** | $ | 458,136 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (note 13) | **$** | **117,916** | $ | 82,770 |
| **Total liabilities** | | **117,916** | | 82,770 |
| **Shareholders' equity** | | | | |
| Share capital (note 8) | | **7,622,591** | | 3,431,482 |
| Reserves (notes 9 and 10) | | **3,104,608** | | 1,202,295 |
| Accumulated deficit | | **(8,519,020)** | | (4,258,411) |
| **Total shareholders' equity** | | **2,208,179** | | 375,366 |
| **Total liabilities and shareholders' equity** | **$** | **2,326,095** | $ | 458,136 |

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 16)

**Approved on behalf of the Board:**

(Signed) "Paul Reid" Director

(Signed) "Marc Pais" Director

## ARIZONA METALS CORP. (formerly Ring The Bell Capital Corp.)
**Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**

| Year ended December 31, | 2019 | 2018 |
|---|---|---|
| **Operating expenses** | | |
| Salaries and benefits (note 13) | **$ 240,509** | $ 158,088 |
| Exploration and evaluation expenditures (note 11) | **2,139,984** | 626,445 |
| Office and general | **183,068** | 95,647 |
| Professional fees (note 13) | **184,392** | 32,069 |
| Share-based payments (notes 9 and 13) | **736,446** | 379,269 |
| Filing fees | **41,685** | - |
| Listing expenses (note 7) | **734,525** | - |
| **Net loss and comprehensive loss for the year** | **$ (4,260,609)** | $ (1,291,518) |
| **Basic and diluted net loss per share** | **$ (0.10)** | $ (0.04) |
| **Weighted average number of common shares outstanding** | **41,224,750** | 30,603,425 |

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

# ARIZONA METALS CORP. (formerly Ring The Bell Capital Corp.)

**Consolidated Statements of Changes in Shareholders' Equity**
**(Expressed in Canadian Dollars)**

| | Share capital | Reserves | Accumulated deficit | Total |
|---|---|---|---|---|
| **Balance, December 31, 2017** | **$ 2,981,482** | **$ 823,026** | **$ (2,966,893)** | **$ 837,615** |
| Exploration share-based payment (note 11) | 450,000 | - | - | 450,000 |
| Share-based payments (note 9) | - | 379,269 | - | 379,269 |
| Net loss for the year | - | - | (1,291,518) | (1,291,518) |
| **Balance, December 31, 2018** | **$ 3,431,482** | **$ 1,202,295** | **$ (4,258,411)** | **$ 375,366** |
| Private placements (note 8(b)) | 3,799,520 | - | - | 3,799,520 |
| Share issuance costs | (571,380) | 89,443 | - | (481,937) |
| Warrant valuation | (1,032,547) | 1,032,547 | - | - |
| Issuance of shares, options and warrants pursuant to RTO (note 7) | 1,270,002 | 91,401 | - | 1,361,403 |
| Exploration share-based payments (note 11) | 600,000 | - | - | 600,000 |
| Warrants exercised (note 10) | 125,514 | (47,524) | - | 77,990 |
| Share-based payments (note 9) | - | 736,446 | - | 736,446 |
| Net loss for the year | - | - | (4,260,609) | (4,260,609) |
| **Balance, December 31, 2019** | **$ 7,622,591** | **$ 3,104,608** | **$ (8,519,020)** | **$ 2,208,179** |

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

## ARIZONA METALS CORP. (formerly Ring The Bell Capital Corp.)
**Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| Year ended December 31, | 2019 | 2018 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | **$ (4,260,609)** | $ (1,291,518) |
| Adjustments for: | | |
| Exploration share-based payment (note 11) | **600,000** | 450,000 |
| Share-based payments (note 9) | **736,446** | 379,269 |
| Listing expense (note 7) | **532,457** | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | **(67,622)** | (3,832) |
| Prepaid expenses | **(534,019)** | (10,490) |
| Accounts payable and accrued liabilities | **35,146** | 49,144 |
| **Net cash used in operating activities** | **(2,958,201)** | (427,427) |
| **Investing activities** | | |
| Cash acquired on RTO (note 7) | **825,530** | - |
| Reclamation bond | **(57,344)** | - |
| **Net cash provided by investing activities** | **768,186** | - |
| **Financing activities** | | |
| Proceeds from private placements share issuance (note 8) | **3,799,520** | - |
| Share issuance costs (note 8) | **(481,937)** | - |
| Proceeds from exercise of warrants (note 10) | **77,990** | - |
| **Net cash provided by financing activities** | **3,395,573** | - |
| **Net change in cash** | **1,205,558** | (427,427) |
| **Cash, beginning of year** | **406,333** | 833,760 |
| **Cash, end of year** | **$ 1,611,891** | $ 406,333 |

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

## 1. Nature of operations and going concern

Arizona Metals Corp., formerly Ring The Bell Capital Corp. ("AMC" or the "Company") was incorporated under the Canada Business Corporations Act on June 28, 2017. The Company's head office, principal address and registered and records office is located at 66 Wellington Street West, Suite 4100, Toronto, Ontario, Canada, M5K 1B7. The Company completed its Initial Public Offering on March 6, 2018 and is classified as a Capital Pool Company ("CPC") as defined by the TSX Venture Exchange ("TSX-V").

On August 1, 2019, the Company completed a reverse take-over transaction ("RTO") with Croesus Gold Corp. ("Croesus") wherein the Company acquired 100% of the issued and outstanding common shares of Croesus. As a result of the share exchange, Croesus is considered to have control. While the Company is the legal acquirer, the accounting acquirer is Croesus and these financial statements are consolidated and presented with Croesus as the continuing entity. Concurrent with the RTO, the Company changed its name to Arizona Metals Corp. and began trading on the TSX-V under the symbol "AMC".

AMC is a Canadian exploration company focused on precious metal exploration in the United States. At the date of these consolidated financial statements, the Company has not yet discovered any deposits, nor has it earned any income.

Although the Company has taken customary 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 unregistered prior agreements and non-compliance with regulatory requirements.

AMC is at an early stage of exploration and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has current assets in excess of current liabilities of $2,150,835 at December 31, 2019 (December 31, 2018 - $375,366). For the year ended December 31, 2019, the Company had a net loss of $4,260,609 (year ended December 31, 2018 - $1,291,518), and had cash outflows from operations of $2,958,201 (year ended December 31, 2018 - $427,427). These material uncertainties cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production in the future. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

## 2. Significant accounting policies

***Statement of compliance***

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 29, 2020.

***Basis of presentation***

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

***Functional and presentation currency***

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

***Basis of consolidation***

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries.

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

| Company | Registered | Principal activity |
|---|---|---|
| Arizona Metals Corp. | Canada | Parent company |
| Arizona Metals Holdings Corp. (i) | Canada | Holding company |
| Croesus Gold USA Corp. (i) | Arizona, USA | Exploration company |
| Kay Mine USA Corp. (i) | Arizona, USA | Exploration company |

(i) 100% owned, directly or indirectly, by Arizona Metals Corp.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

**2. Significant accounting policies (continued)**

***Financial instruments***

Recognition and initial measurement

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets are classified according to the following measurement categories:

i) amortized cost; or
ii) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI").

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost; or
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consist of cash, sales tax recoverable, and reclamation bond which are classified and subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

## 2. Significant accounting policies (continued)

***Financial instruments (continued)***

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Cash***

Cash includes cash on hand and cash held with a Canadian chartered bank.

***Income taxes***

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**2. Significant accounting policies (continued)**

***Exploration and evaluation expenditures***

The Company expenses exploration and evaluation expenditures as incurred in mineral properties not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible or tangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

***Share-based payments***

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in reserves within shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

***Decommissioning provision***

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as the disturbance to date has been minimal.

***Provision***

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

**2. Significant accounting policies (continued)**

***Related party transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

***Foreign currency transactions***

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in consolidated statement of loss and comprehensive loss.

***Critical accounting estimates and judgments***

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

(a) Share-based payments

Management is required to make certain estimates and assumptions when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the consolidated statement of comprehensive loss based on estimates of forfeiture, volatility and expected lives of the underlying stock options.

(b) Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(c) Decommissioning provision

Management's assumption of no material restoration, rehabilitation and environmental exposure, is based on the facts and circumstances that existed in the current and prior periods.

Critical judgments in applying accounting policies

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

## 2. Significant accounting policies (continued)

***Loss per share***

Basic loss per share is computed by dividing the loss for the period available to common shareholders by the weighted average number of shares outstanding during the years. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the loss per share calculations.

## 3. Change in accounting policies

IFRS 16 - Leases ("IFRS 16")

The Company has adopted IFRS 16 effective January 1, 2019. Previously, the Company classified leases as operating or finance leases based on IAS 17 Leases. IFRS 16 requires lessees to recognize most leases on the balance sheet to reflect the right to use an asset for a period of time and an associated lease liability for payments. The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. The Company has determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The adoption of IFRS 16 did not have a significant impact on the Company's consolidated financial statements.

## 4. Capital risk management

The Company includes equity, comprising issued share capital, reserves and deficit, in the definition of capital, which as at December 31, 2019, totaled $2,208,179 (December 31, 2018 - $375,366).

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

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

There were no changes in the Company's process, policies and approach to capital management during the years ended December 31, 2019 and 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company believes it is compliant with the policies of the TSX-V.

## 5. Financial instruments

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

*(i) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, sales tax recoverable and reclamation bond. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Sales tax recoverable are receivable from government authorities in Canada. Reclamation bond is held with relevant government authorities in United States. Management believes that the credit risk with respect to these amounts receivable is minimal.

*(ii) Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2019, the Company had cash of $1,611,891 (December 31, 2018 - $406,333) to settle current liabilities of $117,916 (December 31, 2018 - $82,770). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company obtained its financing through private placements. Negative trends in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favourable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing, if and when required, will be available or on terms acceptable to the Company.

*(iii) Market risk*

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

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at December 31, 2019, the Company did not have any surplus cash. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company is not exposed to foreign currency risk.

**(Expressed in Canadian Dollars)**

## 6. Fair value measurements

The carrying value of the Company's financial instruments approximates fair value due to their short-term maturity.

## 7. Reverse take-over

On August 1, 2019, the Company acquired all the issued and outstanding shares of Croesus. The transaction is intended to serve as the Company's Qualifying Transaction pursuant to the policies of the TSX-V. Prior to closing, Croesus had 37,708,400 common shares and 7,100,000 options outstanding. Immediately before closing, the Company affected a 2.5-to-1 stock consolidation. The Company's shares were then exchanged for the shares of Croesus on a 1:1 basis.

The acquisition constitutes an asset acquisition as the Company did not meet the definition of a business, as defined in IFRS 3 - Business Combinations. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, reserves and deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of $532,457 has been recorded. This reflects the difference between the estimated fair value of consideration given less the fair value of the net assets acquired.

The allocation of estimated fair value of consideration given is as follows:

| **Fair value of net assets acquired** | |
|---|---|
| Cash | $ **825,530** |
| Accounts receivable | **3,416** |
| Listing expenses | **532,457** |
| | $ **1,361,403** |

| **Consideration given** | |
|---|---|
| 5,080,008 common shares | $ **1,270,002** |
| 400,000 stock options | **42,652** |
| 320,000 compensation warrants | **48,749** |
| | $ **1,361,403** |

During the year ended December 31, 2019, the Company also incurred cash listing expenses of $202,068 for aggregate listing expenses of $734,525.

**(Expressed in Canadian Dollars)**

## 8. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

| | Number of common shares | Amount |
|---|---|---|
| **Balance, December 31, 2017** | **30,550,000** | **$ 2,981,482** |
| Exploration share-based payments (note 11) | 1,500,000 | 450,000 |
| **Balance, December 31, 2018** | **32,050,000** | **$ 3,431,482** |
| Private placements (i)(ii) | 10,413,400 | 3,799,520 |
| Share issuance costs (i)(ii) | - | (571,380) |
| Warrant valuation | - | (1,032,547) |
| Warrants exercised | 311,960 | 125,514 |
| Exploration share-based payments (note 11) | 2,000,000 | 600,000 |
| Shares issued on RTO (note 7) | 5,080,008 | 1,270,002 |
| **Balance, December 31, 2019** | **49,855,368** | **$ 7,622,591** |

(i) During January-March 2019, the Company closed private placements whereby the Company issued a total of 3,658,400 common shares at $0.30 per share for aggregate proceeds of $1,097,520. Cash issuance cost was $69,627.

(ii) On June 27, 2019, the Company and Croesus completed a private placement of aggregate 6,755,000 subscription receipts ("Subscription Receipts") at a price of $0.40 per Subscription Receipt for aggregate gross proceeds of $2,702,000 (the "Financing"). Canaccord Genuity Corporation (the "Agent") was engaged to act as lead agent in connection with the Financing.

The gross proceeds of the Financing, less certain fees and expenses of the Agent, was placed in escrow on behalf of the purchasers of Subscription Receipts, and was released to the Company upon satisfaction of certain escrow release conditions, including completion of the RTO.

Immediately prior to closing of the RTO each Subscription Receipt, without payment of any additional consideration or taking of any action, was converted into one (1) unit (the "Unit"). Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (the "Warrants"). Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of $0.60 for a period of 3 years following August 1, 2019. The Company incurred cash issuance cost of $250,190.

The 6,755,000 Warrants were assigned a grant date value of $1,032,547 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.25, expected dividend yield of 0%, expected volatility of 130%, risk-free rate of return of 1.43%, and an expected maturity of 3 years.

**(Expressed in Canadian Dollars)**

## 8. Share capital (continued)

b) Common shares issued (continued)

(ii) (continued) The Company and Croesus also paid the Agent a cash commission (the “Agent’s Commission”) of $162,120, equal to 6% of the aggregate gross proceeds of the Financing, half of which was paid upon closing of the RTO and conversion of the Subscription Receipts. The Company also issued warrants to the Agent (the “Compensation Warrants”) to purchase such number of common shares of the Company as is equal to 8% of the total number of Subscription Receipts issued pursuant to the Financing. Each Compensation Warrant will be exercisable into one common share of the Company at an exercise price of $0.40 for a period of 24 months following the Closing Date.

The 540,400 Compensation Warrants were assigned a grant date value of $89,443 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.30, expected dividend yield of 0%, expected volatility of 120%, risk-free rate of return of 1.47%, and an expected maturity of 2 years.

Closing of the Transaction took place on August 1, 2019.

## 9. Stock options

The Company's stock otpions outstanding are as follows:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2017 and December 31, 2018** | **5,300,000** | **$ 0.14** |
| Issued (i)(ii) | 2,600,000 | 0.32 |
| Issued on RTO | 400,000 | 0.25 |
| **Balance, December 31, 2019** | **8,300,000** | **$ 0.21** |

(i) On March 27, 2019, the Company granted 1,800,000 stock options to directors of the Company with exercise price of $0.30 per share, expiring in 5 years. The stock options were assigned a grant date value of $467,071 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.30, expected dividend yield of 0%, expected volatility of 132%, risk-free rate of return of 1.43%, and an expected maturity of 5 years.

(ii) On November 15, 2019, the Company granted 800,000 stock options to directors of the Company with exercise price of $0.40 per share, expiring in 5 years. The stock options were assigned a grant date value of $269,375 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.39, expected dividend yield of 0%, expected volatility of 132%, risk-free rate of return of 1.48%, and an expected maturity of 5 years.

**(Expressed in Canadian Dollars)**

## 9. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

| Fair value ($) | Weighted average remaining contractual life (years) | Number of options outstanding | Exercisable options | Weighted average exercise price ($) | Expiry date |
|---|---|---|---|---|---|
| 324,573 | 5.97 | 2,000,000 | 2,000,000 | 0.10 | December 18, 2025 (iii) |
| 250,336 | 6.30 | 1,000,000 | 1,000,000 | 0.10 | April 18, 2026 (iv) |
| 627,386 | 6.39 | 2,300,000 | 2,300,000 | 0.20 | May 19, 2026 (v) |
| 467,071 | 4.24 | 1,800,000 | 1,800,000 | 0.30 | March 27, 2024 (i) |
| 42,652 | 0.59 | 400,000 | 400,000 | 0.25 | August 1, 2020 |
| 269,375 | 4.88 | 800,000 | 800,000 | 0.40 | November 15, 2024 (ii) |
| 1,981,393 | 5.39 | 8,300,000 | 8,300,000 | 0.21 | |

(iii) On September 1, 2018, Croesus modified the terms for 2,000,000 stock options by extending the expiry date from December 18, 2020 to December 18, 2025. As a result, Croesus recorded an incremental fair value of $132,865 using the Black-Scholes option pricing model, using the following assumptions: share price of $0.20; an average risk-free interest rate of 2.17%; an average expected volatility factor of 156% based on historical price data of a similar company; an expected life of 7.30 years.

(iv) On September 1, 2018, Croesus modified the terms for 1,000,000 stock options by extending the expiry date from April 18, 2021 to April 18, 2026. As a result, Croesus recorded an incremental fair value of $58,642 using the Black-Scholes option pricing model, using the following assumptions: share price of $0.20; an average risk-free interest rate of 2.17%; an average expected volatility factor of 156% based on historical price data of a similar company; an expected life of 7.63 years.

(v) On September 1, 2018, Croesus modified the terms for 2,300,000 stock options by extending the expiry date from May 19, 2021 to May 19, 2026. As a result, Croesus recorded an incremental fair value of $187,762 using the Black-Scholes option pricing model, using the following assumptions: share price of $0.20; an average risk-free interest rate of 2.17%; an average expected volatility factor of 156% based on historical price data of a similar company; an expected life of 7.72 years.

**(Expressed in Canadian Dollars)**

## 10. Warrants

The Company's warrants outstanding are as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2017 and December 31, 2018** | **-** | **$ -** |
| Issued | 7,295,400 | 0.59 |
| Issued on RTO | 320,000 | 0.25 |
| Exercised | (311,960) | 0.25 |
| **Balance, December 31, 2019** | **7,303,440** | **$ 0.58** |

The following table reflects the actual warrants issued and outstanding as of December 31, 2019:

| Fair value ($) | Number of warrants | Weighted average exercise price ($) | Expiry date |
|---|---|---|---|
| 1,225 | 8,040 | 0.25 | March 6, 2020 |
| 1,032,547 | 6,755,000 | 0.60 | August 1, 2022 |
| 89,443 | 540,400 | 0.40 | August 7, 2021 |
| 1,123,215 | 7,303,440 | 0.58 | |

## 11. Exploration and evaluation expenditures

| Year ended December 31, | 2019 | 2018 |
|---|---|---|
| **Sugarloaf Peak Gold Project** | | |
| Acquisition cost | $ 600,000 | $ 450,000 |
| Concession fees | 26,831 | 44,233 |
| Legal fees | - | 4,305 |
| Consulting | - | 10,903 |
| Assays | - | 2,392 |
| | **626,831** | **511,833** |
| **Kay Mine** | | |
| Acquisition cost | 1,002,245 | 50,000 |
| Concession fees | 26,501 | - |
| Legal fees | 74,527 | 29,574 |
| Consulting | 390,065 | 19,039 |
| Geological reports | - | 15,999 |
| Drilling | 18,000 | - |
| Storage | 1,815 | - |
| | **1,513,153** | **114,612** |
| **Total exploration and evaluation expenditures** | **$ 2,139,984** | **$ 626,445** |

## 11. Exploration and evaluation expenditures (continued)

### Sugarloaf Peak Gold Project

On December 16, 2014, Croesus entered into an option agreement with Riverside Resources Inc. ("Riverside") where Riverside grants to Croesus the irrevocable and exclusive right and option to purchase and acquire 100% of Riverside's right, title and interest (of any nature or kind whatsoever) in and to the Sugarloaf Peak Gold Project. On December 18, 2015, Croesus and Riverside amended the option agreement ("December 18, 2015 Option Agreement"). On March 21, 2016, Croesus exercised the option concurrently with amending the cash payment and common share issuance in the December 18, 2015 Option Agreement ("March 21, 2016 Option Agreement").

Under the terms of the March 21, 2016 Option Agreement between Croesus and Riverside, a 100% interest, subject to a 1% net smelter returns royalty to Riverside, in the Sugarloaf Peak Gold Project can be acquired by complying with the following terms:

(i) Croesus making aggregate cash payments to Riverside of $750,000 (paid). Per the March 21, 2016 Option Agreement, the Company's aggregate cash contribution was reduced to $700,000 if the Company paid all cash obligations by March 23, 2016, which it did, therefore, aggregate cash contributions of $700,000 were paid;
(ii) Croesus making a payment to Riverside for concession fees on the Sugarloaf Peak Gold Project from September 30, December 31, 2016 to August 1, 2016 in the amount of $42,000 (paid);
(iii) the issuance to Riverside of 6,500,000 common shares in the capital of Croesus. Per the March 21, 2016 Option Agreement, share obligations were reduced to 6,000,000 common shares if all cash obligations were satisfied within a twelve month period after the December 18, 2015 Option Agreement, which it was, therefore an aggregate of 6,000,000 common shares were issued;
(iv) if Croesus has not completed a public listing recognized by the Ontario Securities Commission on or before specified dates from the December 18, 2015 Option Agreement, up to 4,300,000 common shares may be issued;
(v) if the market value of the common shares on a public listing recognized by the Ontario Securities Commission is less than $0.15, Croesus shall issue to Riverside the number of common shares equal to the true-up amount in respect of each common share payment made prior to, or, with respect to the common share payment, following the completion of such public listing.

Croesus shall have the right to purchase one-half of the Production Royalty (equivalent to 1% of Net Smelter Returns) for $5,500,000, exercisable at any time on or before the fourth anniversary of the date of this NSR Agreement, exercisable by written notice to the Royalty Holder with payment of cash in immediately available funds to follow, to or as directed by the Royalty Holder, no more than 10 Business Days following receipt of such notice by the Royalty Holder (unless otherwise mutually agreed by the parties).

As of December 31, 2019, aggregate cash payments to Riverside amounted to $700,000 (December 31, 2018 - aggregate cash payments of $700,000) and Croesus issued an aggregate of 6,000,000 common shares (December 31, 2018 - aggregate common shares issued of 6,000,000) to Riverside.

The Company did not complete a public listing within 18 months of the December 18, 2015 Option Agreement and issued 300,000 common shares valued at $60,000 to Riverside.

## 11. Exploration and evaluation expenditures (continued)

### Sugarloaf Peak Gold Project

The Company did not complete a public listing within 24 months of the December 18, 2015 Option Agreement and issued 500,000 common shares valued at $100,000 to Riverside.

The Company did not complete a public listing within 36 months of the December 18, 2015 Option Agreement and issued 1,500,000 common shares valued at $450,000 to Riverside.

The Company did not complete a public listing within 42 months of the December 18, 2015 Option Agreement and issued 2,000,000 common shares valued at $600,000 to Riverside.

The estimated fair value of the shares issued was based on the value of shares issued in the most recent private placement of the Company's shares prior to the issuance.

### Kay Mine

On November 15, 2018, Croesus entered into an acquisition agreement ("Acquisition Agreement") with Silver Spruce Resources Inc. ("Silver Spruce") to acquire 100% interest in certain patented and unpatented mining claims in Yavapai County, Arizona, USA, known collectively as the "Kay Mine Claims". The purchase price includes:

(a) Cash consideration of $50,000 (paid), which is being held by the escrow agent until closing; and
(b) the assumption by the Company of a loan on the closing date with a principal amount of US$450,000, accruing interest at a rate of 12% per annum. The Company repaid the full amount of the loan and the accrued interest on March 12, 2019 in the amount of $652,165.

Following the closing, Croesus is to make the following payments to Silver Spruce:

(a) Cash consideration of $100,000 on the earlier of (i) six months from the date of the Acquisition Agreement; or (ii) the date of Croesus' public listing; and
(b) Common shares worth $250,000 concurrently with or immediately prior to Croesus' public listing.

The acquisition closed on January 25, 2019.

In May 2019, the Company entered into an agreement with Silver Spruce to amend the ongoing terms of the Acquisition Agreement ("Extension Agreement"). Under the Extension Agreement, Croesus made additional payments to Silver Spruce of $200,000 on May 9, 2019 and $150,000 on June 27, 2019, satisfying all of the Company's obligations under the Acquisition Agreement and Extension Agreement.

As at December 31, 2019, prepaid expenses included an amount of $515,938 which was paid to a vendor for performing future drilling operations at Kay Mine which were expected to commence in January 2020.

At December 31, 2019, the Company has provided aggregate of $57,344 (2018 - $nil) in deposits as security against potential future reclamation work related to the Kay Mine.

**(Expressed in Canadian Dollars)**

## 12. Income tax

A reconciliation between tax expense and the product of accounting loss multiplied by the Company's domestic tax rate is as follows:

| **Year ended December 31,** | **2019** | **2018** |
|---|---|---|
| Loss before income tax | **$ (4,260,609)** | $ (1,291,518) |
| Statutory tax rate | **26.50 %** | 26.50 % |
| Tax benefit of statutory rate | **(1,129,000)** | (342,253) |
| Permanent differences | **362,000** | 102,059 |
| Tax benefits not recognized | **767,000** | 240,194 |
| Total tax recovery | **$ -** | $ - |

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements as they are not probable to be recovered.

| **Deductible (taxable) temporary differences** | **December 31, 2019** | **December 31, 2018** |
|---|---|---|
| Tax loss carry-forwards | **$ 283,000** | $ 223,669 |
| Exploration and development | **1,158,000** | 591,283 |
| Share issue costs | **108,000** | 5,711 |
| Deferred tax assets not recognized and impaired | **(1,549,000)** | (820,663) |
| Balance, December 31, 2019 | **$ -** | $ - |

As at December 31, 2019, the Company has unclaimed non-capital losses that expire as follows:

| | | |
|---|---|---|
| Expires: | 2031 | $ 500 |
| | 2032 | 500 |
| | 2033 | 500 |
| | 2034 | 8,000 |
| | 2035 | 21,000 |
| | 2036 | 239,000 |
| | 2037 | 282,000 |
| | 2038 | 292,000 |
| | 2039 | 380,000 |
| | | $ 1,223,500 |

As at December 31, 2019, the Company has unclaimed exploration and development expenses of $4,371,000 (2018 - $2,231,000).

**(Expressed in Canadian Dollars)**

## 13. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

(a) Remuneration of directors and key management personnel of the Company was as follows:

| **Year ended December 31,** | **2019** | **2018** |
|---|---|---|
| Salaries and benefits | **$ 240,509** | $ 158,088 |
| Share-based payments | **736,446** | 354,779 |
| Professional fees | **18,332** | - |
| Legal fees | **396,075** | 45,183 |
| | **$ 1,391,362** | $ 558,050 |

(b) During the year ended December 31, 2019, related parties have subscribed for a total of 2,062,500 common shares and 1,862,500 warrants for aggregate gross proceeds of $805,000.

(c) A director of the Company is a partner in a law firm that provides services on a recurrent basis to the Company. During the year ended December 31, 2019, the Company incurred legal fees of $396,075 (December 31, 2018 - $45,183) to this law firm which were included in professional fees amounted to $94,007 (December 31, 2018 - $32,069), listing expenses of $202,068 (December 31, 2018 - $nil), exploration and evaluation expenditure of $nil (December 31, 2018 - $13,114) and share issuance costs of $100,000 (December 31, 2018 - $nil). As of December 31, 2019, included in accounts payable and accrued liabilities is an amount of $5,649 (December 31, 2018 - $nil) owing to this law firm. The amount owing is unsecured, non-interest bearing with no fixed terms of repayment.

## 14. Segmented information

### Operating segments

At December 31, 2019, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in the United States. As the operations comprise a single reporting segment, amounts disclosed in these consolidated financial statements also represent operating segment amounts.

### Geographic segments

The Company is in the business of mineral exploration in the United States. As such, management has organized the Company's reportable segments by geographic area. The Company's operations in the United States are responsible for mineral exploration activities while the Canadian segment manages corporate head office activities. Information concerning the Company's reportable segments is as follows:

| | **Year Ended December 31, 2019** | **Year Ended December 31, 2018** |
|---|---|---|
| **Net loss and comprehensive net loss** | | |
| Canada | **$ (2,120,625)** | $ (665,073) |
| United States | **(2,139,984)** | (626,445) |
| Total | **$ (4,260,609)** | $ (1,291,518) |

## 15. Commitments and contingencies

***Environmental contingencies***

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

***Management contract***

The Company is party to certain employment contracts. These contracts require that additional payments of approximately $600,000 be made upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

***Exploration properties***

See note 11.

## 16. Subsequent events

On February 12, 2020, the Company announced that it has closed a non-brokered private placement offering of 4,741,000 common shares of the Company at a price of $0.50 per common share, for aggregate gross proceeds of $2,370,500. Colin Sutherland and Rick Vernon, directors of the Company, each purchased an aggregate of 100,000 common shares under the offering. Kevin Reid, an insider of the Company, beneficially purchased an aggregate of 500,000 common shares under the offering. In connection with the offering, the Company paid cash finders' fees of an aggregate of $93,900.

On February 24, 2020, the Company repriced 6,117,999 of the Company's outstanding warrants expiring on August 1, 2022 from an exercise price of $0.60 per warrant to an exercise price of $0.50 per warrant.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.