# ELY GOLD ROYALTIES INC.
**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**
**(Expressed in Canadian Dollars)**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

Smythe CPA

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF ELY GOLD ROYALTIES INC.

*Opinion*
We have audited the consolidated financial statements of Ely Gold Royalties Inc., which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

*Basis of Opinion*
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the management in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude 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 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.



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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2019



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**ELY GOLD ROYALTIES INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

| As at | Notes | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | $ 2,437,736 | $ 2,393,322 |
| Marketable securities | 6 | 830,961 | 1,419,193 |
| Receivables | 7 | 107,184 | 72,466 |
| Prepaid expenses | 12 | 67,258 | 47,376 |
| | | 3,443,139 | 3,932,357 |
| **Non-Current** | | | |
| Reclamation bond | | 29,896 | 60,662 |
| Mineral and royalty interests | 8 | 1,795,580 | 1,632,714 |
| | | $ 5,268,615 | $ 5,625,733 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 9 & 12 | $ 227,482 | $ 470,999 |
| Note payable | 10 | 183,934 | 705,906 |
| | | 411,416 | 1,176,905 |
| **Non-Current** | | | |
| Note payable | 10 | - | 160,944 |
| | | 411,416 | 1,337,849 |
| **EQUITY** | | | |
| Share capital | 11 | 28,519,610 | 26,917,261 |
| Share-based payment reserve | 11 | 998,942 | 1,186,671 |
| Cumulative translation adjustment | | 158,202 | - |
| Subscriptions received | 16 | 47,315 | - |
| Deficit | | (24,866,870) | (23,816,048) |
| | | 4,857,199 | 4,287,884 |
| | | $ 5,268,615 | $ 5,625,733 |

Approved and authorized by the Board:

*"Ronald Husband"* Director — Ronald Husband

*"Stephen Kenwood"* Director — Stephen Kenwood

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

**ELY GOLD ROYALTIES INC.**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| For the year ended | Notes | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Option proceeds | 8 | $ | 810,070 | $ | 379,413 |
| Gain on disposal of mineral interests | 8 | | 384,548 | | 590,114 |
| | | | 1,194,618 | | 969,527 |
| **EXPENSES** | | | | | |
| Consulting fees | 12 | | 663,715 | | 873,926 |
| Exploration and evaluation expenses | | | 312,162 | | 388,323 |
| Insurance | | | 23,562 | | 31,874 |
| Office and administration | | | 156,002 | | 167,180 |
| Professional fees | | | 149,803 | | 192,377 |
| Rent | | | 27,000 | | 27,550 |
| Share-based payments | 11 | | 24,156 | | 226,696 |
| Transfer agent and filing fees | | | 29,996 | | 24,895 |
| Travel and promotion | | | 569,360 | | 366,414 |
| | | | (1,955,756) | | (2,299,235) |
| **OTHER INCOME (EXPENSE)** | | | | | |
| Interest expense | 10 | | (17,409) | | (35,900) |
| Interest income | | | 125 | | 125 |
| Gain on disposal of marketable securities | 6 | | 60,225 | | - |
| Change in fair value of marketable securities | 6 | | (363,478) | | (121,062) |
| Gain (loss) on foreign exchange | | | 30,853 | | (159,159) |
| | | | (289,684) | | (315,996) |
| **Loss for the year** | | $ | (1,050,822) | $ | (1,645,704) |
| **Other comprehensive (loss) income for the year:** | | | | | |
| *Items that may be reclassed to profit and loss* | | | | | |
| Currency translation adjustment | | | 158,202 | | - |
| **Other comprehensive (loss) income for the year** | | $ | (892,620) | $ | (1,645,704) |
| **Basic and diluted loss per share** | | $ | (0.01) | $ | (0.02) |
| **Weighted average number of common shares outstanding** | | | 78,277,530 | | 75,907,530 |

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

**ELY GOLD ROYALTIES INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| For the year ended | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss for the year | $ | (1,050,822) | $ | (1,645,704) |
| Items not affecting cash: | | | | |
| Interest expense | | 8,533 | | 35,900 |
| Option proceeds paid in marketable securities | | (164,865) | | - |
| Change in fair value of marketable securities | | 363,478 | | 121,062 |
| Gain on disposal of marketable securities | | (60,225) | | - |
| Gain on disposal of mineral interest | | (384,548) | | (590,114) |
| Share-based payments | | 24,156 | | 226,696 |
| Unrealized foreign exchange | | 103,639 | | (59,200) |
| Changes in non-cash working capital items: | | | | |
| Receivables | | (34,718) | | (21,976) |
| Prepaid expenses | | (19,882) | | 868 |
| Reclamation bond | | 30,766 | | - |
| Accounts payable and accrued liabilities | | (243,517) | | 67,978 |
| Net cash used in operating activities | | (1,428,005) | | (1,864,490) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Payments for acquisition of mineral and royalty rights | | (546,261) | | (598,874) |
| Proceeds received from properties under option | | 559,416 | | 228,190- |
| Proceeds on disposal of marketable securities | | 529,408 | | - |
| Proceeds on disposal of mineral and royalty interest | | 412,694 | | 261,882 |
| Net cash provided by (used in) investing activities | | 955,257 | | (108,802) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Shares issued for cash, net of issuance costs | | 988,629 | | - |
| Subscriptions received | | 47,315 | | - |
| Repayment of loans payable | | (728,782) | | - |
| Proceeds received from the exercise of warrants | | 210,000 | | - |
| Net cash provided by financing activities | | 517,162 | | - |
| Change in cash and cash equivalents for the year | | 44,414 | | (1,973,292) |
| Cash and cash equivalents, beginning of year | | 2,393,322 | | 4,366,614 |
| Cash and cash equivalents, end of year | $ | 2,437,736 | $ | 2,393,322 |
| **Cash and cash equivalents consists of:** | | | | |
| Cash | $ | 2,412,736 | $ | 2,368,322 |
| Term deposit | | 25,000 | | 25,000 |
| | $ | 2,437,736 | $ | 2,393,322 |

**Supplemental disclosure with respect to cash flows** (Note 13)

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

**ELY GOLD ROYALTIES INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

| | Note | Number of shares | Share capital | Share-based payment reserve | Cumulative translation adjustment | Subsciptions Received | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2016 | | 75,755,475 | $ 26,882,761 | $ 1,092,326 | $ - | $ - | $ (22,376,032) | $ 5,599,055 |
| Shares issued for mineral and royalty interests | 8(d) | 300,000 | 34,500 | - | - | - | - | 34,500 |
| Share-based payments | 11 | - | - | 226,696 | - | - | - | 226,696 |
| Warrants issued for mineral and royalty interests | 8 & 11 | - | - | 73,337 | - | - | - | 73,337 |
| Expired options | 11 | - | - | (205,688) | - | - | 205,688 | - |
| Net loss for the year | | - | - | - | - | - | (1,645,704) | (1,645,704) |
| Balance, December 31, 2017 | | 76,055,475 | $ 26,917,261 | $ 1,186,671 | $ - | $ - | $ (23,816,048) | $ 4,287,884 |
| Private placement, net of issuance costs | | 10,000,000 | 988,629 | - | - | - | - | 988,629 |
| Subscriptions received | 16 | - | - | - | - | 47,315 | - | 47,315 |
| Shares issued for mineral and royalty interests | 8(d) & 11 | 1,050,000 | 136,500 | - | - | - | - | 136,500 |
| Warrants issued for mineral and royalty interests | 8(d) & 11 | - | - | 55,335 | - | - | - | 55,335 |
| Exercised warrants | 11 | 3,000,000 | 210,000 | - | - | - | - | 210,000 |
| Share-based payments allocated to share capital on exercise of warrants | 11 | - | 267,220 | (267,220) | - | - | - | - |
| Share-based payments | 11 | - | - | 24,156 | - | - | - | 24,156 |
| Net loss for the year | | - | - | - | - | - | (1,050,822) | (1,050,822) |
| Other comphrensive income | | - | - | - | 158,202 | - | - | 158,202 |
| Balance, December 31, 2018 | | 90,105,475 | $ 28,519,610 | $ 998,942 | $ 158,202 | $ 47,315 | $ (24,866,870) | $ 4,857,199 |

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

## 1. NATURE OF AND CONTINUANCE OF OPERATIONS

Ely Gold Royalties Inc. (the "Company" or "Ely") was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996. The Company was continued into British Columbia in 2002 where it is now domiciled and governed by the *Business Corporations Act* (British Columbia). The Company is listed on the TSX Venture Exchange ("TSX-V"), under the symbol ELY.

The Company is an exploration and development stage natural resource royalty company engaged in the evaluation, acquisition, exploration and development of natural resource projects and royalties. The Company is currently focused on royalties and gold projects, with the potential to generate royalties, in North America.

The Company's registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7X 1J1.

The recovery of the amounts comprising exploration and evaluation assets and royalty interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, upon future profitable production, or disposition of its mineral interests.

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended December 31, 2018, the Company incurred a net loss of $1,050,822 (2017 - $1,645,704) and has incurred ongoing losses since incorporation. A number of alternatives, including, but not limited to, selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These consolidated financial statements were approved by the Board of Directors for issue on April 30, 2019.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These consolidated financial, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which are stated at their fair values. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

### Basis of consolidation and presentation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, DHI Minerals Ltd. ("DHI") (a Canadian corporation), DHI Minerals (US) Ltd. ("DHI US") (a Nevada corporation), Voyageur Gold Inc. ("Voyageur") (a Canadian corporation) and Nevada Select Royalty, Inc. ("Nevada Select").

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

## 2. BASIS OF PREPARATION (cont'd…)

**Use of estimates and judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Recovery of deferred tax assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*Share-based payments*

The fair value of share-based payments is subject to the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in certain assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and expected forfeiture rate, changes in subjective input assumptions can materially affect the fair value estimate.

*Impairment of mineral and royalty interests*

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral and royalty interests.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

*Critical accounting judgments*

Management must make judgments given the various options available under IFRS for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Critical judgments have been made by management in arriving at the three above noted critical estimates. Other areas of critical judgment are as follows:

## 2. BASIS OF PREPARATION (cont'd…)

### Use of estimates and judgments (cont'd…)

*Going Concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding the future funding available for its mineral and royalty interest acquisitions and working capital requirements.

*Functional Currency*
The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Adoption of new accounting policies

The following accounting standards have been adopted as at January 1, 2018 in accordance with the transitional provisions outlined in the respective standards.

*IFRS 15 - Revenue from contracts with customers*
The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company adopted IFRS 15 effective January 1, 2018, using the modified retrospective approach. The Company has not restated comparative information for prior years with respect to the adoption of IFRS 15 because there were no changes to the Company's consolidated statements of financial position or consolidated statements of loss and comprehensive loss as a result of this new accounting standard.

*IFRS 9 - Financial Instruments*
The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted IFRS 9 effective January 1, 2018 using the modified approach. The Company has not restated comparative information for prior years with respect to the adoption of IFRS 9 because there were no changes to the Company's consolidated statements of financial position or consolidated statements of loss and comprehensive loss as a result of this new accounting standard.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Adoption of new accounting policies (cont'd…)**

| | Measurement Categories | |
|---|---|---|
| | IAS 39 | IFRS 9 |
| Cash and cash equivalents | FVTPL | FVTPL |
| Marketable securities | Held for trading | FVTPL |
| Receivables | Amortized cost | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Note payable | Amortized cost | Amortized cost |

The Company has elected to irrevocably designate on transition its investment in marketable securities as FVTPL as they are considered to be held for trading.

*Financial instruments*
The Company recognizes financial assets and liabilities on the statement of financial position when the Company becomes party to the contractual provisions of the instrument.

*Cash and cash equivalents*
Cash and cash equivalents includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are classified and measured at FVTPL.

*Receivable and accounts payable and accrued liabilities*
Receivable and accounts payable and accrued liabilities are non-interest bearing and are initially measured at fair value, subsequently measured at amortized cost which approximates fair value due to the short term to maturity.

*Marketable securities*
Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to investments designated as FVOCI are excluded from the consolidated statement of loss and comprehensive loss and are included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

*Financial liabilities*
The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For financial liabilities subsequently measured at amortized cost, the effective interest rate method is used. Financial liabilities required to be classified as FVTPL are measured at fair value on each financial period-end date with gains and losses flowing through the consolidated statement of loss and comprehensive loss. For financial liabilities that are optionally classified as FVTPL, the part of the fair value change related to the Company's own credit risk is recorded in OCI rather than the consolidated statement of loss and comprehensive loss.

*Impairment of financial assets*
At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, management measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Adoption of new accounting policies (cont'd…)

*Derecognition of financial assets*
Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

*Derecognition of financial liabilities*
The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss).

*Offsetting financial assets and liabilities*
Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Foreign exchange

The functional currency for the Company and for each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are retranslated at the year-end exchange rates. Non-monetary items, measured using historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company, Voyageur, DHI, and DHI US is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*.

Prior to January 1, 2018 the functional currency of Nevada Select was the Canadian dollar. Management considered primary and secondary indicators of IAS 21 in determining functional currency including the currency that influences sales prices, labour, purchases and other costs. Other indicators including the currency in which funds from financing activities are generated and the currency in which receipts from operations are usually retained.

Based on these factors, management concluded that effective January 1, 2018, the parent company and its subsidiaries' functional currency should be the United States dollar ("USD"). One of the main factors affecting this decision is that option payments received are denominated in USD.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Foreign exchange (cont'd…)

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of income (loss) and comprehensive income (loss) are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the consolidated statements of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in profit or loss.

### Cash equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

### Mineral and royalty interests

*Exploration and evaluation assets*
Pre-exploration costs are expensed as incurred.

Acquisition costs to obtain the legal right to explore a property are capitalized. Costs related to the exploration and evaluation of mineral properties, including general administrative overhead costs, are expensed in the period in which they occur.

Proceeds for option payments or shares received are recorded on receipt against capitalized exploration and evaluation assets. As related acquisition costs are reduced to nil by the option payments received, any future option payments are recorded as revenues in the statement of comprehensive loss.

When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred as development properties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Mineral and royalty interests (cont'd)

*Royalty interests*
Royalty interests consist of acquired royalty interests in producing, development and exploration and evaluation stage properties. Royalty interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The major categories of the Company's interests are producing, development and exploration and evaluation. Producing assets are those that have generated revenue from steady-state operations for the Company. Development assets are interests in projects that are under development, in permitting or feasibility stage and that in management's view, can be reasonably expected to generate steady-state revenue for the Company in the near future. Exploration and evaluation assets represent properties that are not yet in development, permitting or feasibility stage or that are speculative in nature and are expected to require several years to generate revenue, if ever, or are currently not active.

Producing and development royalty interests are recorded at cost and capitalized in accordance with IAS 16, Property, Plant and Equipment. Producing royalty interests are depleted using the units-of production method over the life of the

*Royalty interests (cont'd)*

property to which the interest relates, which is estimated using available estimates of proven and probable mineral reserves specifically associated with the properties and may include a portion of resources expected to be converted into mineral reserves.

Royalty interests for exploration and evaluation assets are recorded at cost and capitalized in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources ("IFRS 6"). Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue generating activities begin.

### Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed similar to basic income (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 reporting periods. However, diluted loss per share does not include the increase to weighted average shares, as the effect of including additional shares would be anti-dilutive.

### Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Impairment of long-lived assets (cont'd)

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

### Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

### Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares using the market price on the date the common shares are priced and the residual, if any, is allocated to warrants.

### Share-based payments

The Company grants stock options to directors, officers, employees and consultants. Share-based payments to employees are measured on the grant date at the fair value of the equity instruments issued, using the Black-Scholes option pricing model and are accrued and charged either to operations or exploration and evaluation assets, over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. Consideration paid for the shares on the exercise of stock options or warrants is credited to share capital and the applicable amounts of share-based payment reserve are transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payment reserve and transferred to deficit. For options that expire or are forfeited after vesting, the recorded value is transferred from the share-based payment reserve to deficit.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable arising from the use by others of the Company's assets yielding royalties or option proceeds. The Company recognizes revenue pursuant to contractually agreed terms when the Company has met its performance obligations and the collectability of revenue if reasonably assured.

*Royalties*
Royalties consist of revenues earned directly from royalty agreements. Revenue recognition generally occurs in the month of production from the royalty property. Revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amounts pursuant to the terms of the royalty agreement.

*Option proceeds*
Revenues from option proceeds is recognized when received. Option proceeds are initial recorded against the capitalized asset value and any excess is recognized as revenue.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Income taxes**

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

Deferred tax is recorded using the asset and 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. Temporary differences are not provided for relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position 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.

**New accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases.*

Applicable to the Company's annual period beginning on January 1, 2019.

## 4. FINANCIAL INSTRUMENTS

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments. The carrying value of notes payable approximates fair value as the notes bear market interest rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at major Canadian and American financial institutions.

(Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS (cont'd…)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Cash and cash equivalents | $ 2,437,736 | $ 2,393,322 |

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2018, the Company has cash and cash equivalents of $2,437,736 (2017 - $2,393,322), current liabilities of $300,045 (2017 - $1,176,905), and non-current note payable of $nil (2017 - $160,944).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

| As at | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Due Date | | |
| 0 – 90 days | $ 300,045 | $ 631,943 |
| 90 – 365 days | - | 544,962 |
| More than 1 year | - | 160,944 |
| | $ 300,045 | $ 1,337,849 |

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and equity price risk.

(i) Interest rate risk

Interest rate risk consists of three components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

(c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 2018, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

## 4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2018 and 2017, the Company has not hedged its exposure to currency fluctuations.

At December 31, 2018 and 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Cash and cash equivalents | US$ | 872,445 | US$ | 1,422,889 |
| Accounts payable and accrued liabilities | | (51,583) | | (279,606) |
| Note payable | | (125,000) | | (650,000) |
| Interest payable | | (9,829) | | (40,993) |
| Net | US$ | 686,033 | US$ | 452,290 |
| Canadian dollar equivalent | | $ 935,886 | | $ 567,398 |

Based on the above net exposures as at December 31, 2018, a 5% (2017 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately $46,000 (2017 - $28,000).

(ii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's marketable securities consisting of common shares are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held.

Based on the marketable securities held as at December 31, 2018, a 10% (2017 – 10%) change in the market price of these securities would impact the Company's income (loss) and comprehensive income (loss) by approximately $83,000 (2017 - $150,000).

(Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(iii) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2018 and 2017:

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 2,437,736 | $ - | $ - | $ 2,437,736 |
| Receivables | $ 6,883 | $ - | $ - | $ 6,883 |
| Accounts payable and accrued liabilities | $ 227,482 | $ - | $ - | $ 227,482 |
| Note payable | $ - | $ 183,934 | $ - | $ 183,934 |
| Marketable securities | $ 830,961 | $ - | $ - | $ 830,961 |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 2,393,322 | $ - | $ - | $ 2,393,322 |
| Accounts payable and accrued liabilities | $ 470,999 | $ - | $ - | $ 470,999 |
| Note payable | $ - | $ 866,850 | $ - | $ 866,850 |
| Marketable securities | $ 1,419,193 | $ - | $ - | $ 1,419,193 |

## 5. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its exploration and evaluation assets contain economically recoverable reserves of ore and currently has only earned revenues from option proceeds on its exploration and evaluation assets. The Company's primary source of funds comes from the issuance of share capital and debt. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2018.

(Expressed in Canadian Dollars)

## 6. MARKETABLE SECURITIES

The Company's marketable securities comprise the following common shares. The fair value of the marketable securities has been determined directly by reference to published price quotations in an active market.

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| *Gold Resource Corporation* | | | | |
| 104,811 (December 31, 2017 – 189,811) common shares | $ 818,668 | $ 571,933 | $ 1,482,595 | $ 1,047,719 |
| *Colorado Resource Ltd* | | | | |
| 800,000 (December 31, 2017 – 800,000) common shares | 178,000 | 44,000 | 178,000 | 160,000 |
| *Solitario Royalty & Exploration Corp* | | | | |
| 119,352 (December 31, 2017 – 119,352) common shares | 144,454 | 38,193 | 144,454 | 89,514 |
| *Bitterroot Resources Ltd.* | | | | |
| 200,000 (December 31, 2017 – 200,000) common shares | 30,000 | 5,000 | 30,000 | 28,000 |
| *VR Resources Ltd.* | | | | |
| 100,000 (December 31, 2017 – 50,000) common shares | 36,250 | 18,000 | 16,250 | 16,000 |
| *Valterra Resource Corp.* | | | | |
| 5,254,420 (December 31, 2017 – 2,598,680) common shares | 221,831 | 78,816 | 128,880 | 77,960 |
| *Fremont Gold Ltd* | | | | |
| 500,000 (December 31, 2017 – nil) common shares | 80,000 | 75,019 | - | - |
| Total | $ 1,509,203 | $ 830,961 | $ 1,980,179 | $ 1,419,193 |

During the year ended December 31, 2018, the Company:

(a) acquired 50,000 common shares of VR Resources Ltd. ("VR Resources"), valued at $20,000, as part of the consideration for the option of its Kraut claims to VR Resources (Note 8(c)).

(b) acquired 200,000 common shares of Fremont Gold Ltd ("Fremont"), valued at $32,000, as part of the consideration for the option of its North Carlin mineral property to Fremont (Note 8(c)).

(c) acquired 300,000 common shares of Fremont valued at $48,000, as part of the consideration for the option of its Hurricane project to Fremont, included in the Platoro West Properties acquisition (Note 8(c)).

(d) acquired 2,655,740 common shares of Valterra Resource Corp. ("Valterra"), valued at $92,951, as part of the consideration for the option of its Weepah project to Valterra (Note 8(c)).

(e) disposed of 85,000 common shares of Gold Resource Corp ("Gold Resource") for net proceeds of $529,408 and realized a gain of $60,225.

(Expressed in Canadian Dollars)

## 6. MARKETABLE SECURITIES (cont'd…)

During the year ended December 31, 2017, the Company acquired:

(f) 59,642 common shares of Gold Resource, valued at $396,720, as part of the consideration for the sale of its Isabella mineral property to Gold Resource (Note 8(c)).

(g) 800,000 common shares of Colorado Resources Ltd. ("Colorado"), valued at $178,000, as part of the consideration for the option of its Green Springs mineral property to Colorado (Note 8(a)).

(h) 200,000 common shares of Bitterroot Resources Ltd. ("Bitterroot"), valued at $30,000, as part of the consideration for the option of its Hackberry North Project to Bitterroot (Note 8(c)).

(i) 50,000 common shares of VR Resources, valued at $16,250, as part of the consideration for the option of its New Boston project to VR Resources (Note 8(c)).

(j) 2,598,680 common shares of Valterra, valued at $128,880, as part of the consideration for the option of its Weepah project to Valterra (Note 8(c)).

During the year ended December 31, 2018, the Company recorded an unrealized loss in the change in fair value on marketable securities of $363,478 (2017 - $121,062) in the statement of loss and comprehensive loss.

## 7. RECEIVABLES

The Company's receivables are as follows:

| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Trade receivables | $ | 6,883 | $ | - |
| Sales taxes receivable | | 100,3011 | | 72,466 |
| | $ | 107,184 | $ | 72,466 |

## 8. MINERAL AND ROYALTY INTERESTS

| | | Green Springs (a) | | Cox Claims (b) | | Nevada Select Properties (c) | | Fenelon Royalty (d) | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2016 | $ | 434,848 | $ | 69,618 | $ | 667,256 | $ | - | $ | 1,171,322 |
| Acquisition costs | | - | | - | | 1,036,329 | | - | | 1,036,329 |
| Option payments received | | (406,190) | | - | | (100,659) | | - | | (506,849) |
| Disposition | | - | | - | | (68,488) | | - | | (68,488) |
| Balance, December 31, 2017 | | 28,658 | | 69,618 | | 1,534,438 | | - | | 1,632,714 |
| Acquisition costs | | - | | - | | 21,260 | | 716,836 | | 738,096 |
| Option payments received | | (28,658) | | (36,127) | | (522,777) | | - | | (587,562) |
| Disposition | | - | | - | | (28,086) | | - | | (28,086) |
| Cumulative translation adjustment | | - | | - | | 40,418 | | - | | 40,418 |
| Balance, December 31, 2018 | $ | - | $ | 33,491 | $ | 1,045,253 | $ | 716,836 | $ | 1,795,580 |

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(a) Green Springs

On February 4, 2013, the Company acquired the Green Springs property in White Pine County, Nevada, for US$300,000 (paid) and $50,000 (paid) cash. The Green Springs property is subject to a 2% net smelter return ("NSR") royalty.

On July 7, 2014, the Company entered into an exploration and Option Agreement (the "EMX Agreement") with Eurasian Minerals Inc. ("EMX") for the Cathedral Well gold project consisting of 79 unpatented mining claims (the "Cathedral Well Claims"), which surround the Company's Green Springs claims. Pursuant to the EMX Agreement, the Company can earn a 100% interest in the Cathedral Well Project by paying EMX a total of US$100,000 as follows:

- US$25,000 upon signing (paid)
- US$25,000 on the first anniversary (paid)
- US$25,000 on the second anniversary (paid)
- US$25,000 on the third anniversary. (see below – traded certain mining claims)

EMX will retain a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Cathedral Well Project, the Company will pay EMX annual advance royalties equal to 20 ounces of gold each year beginning in year four of the EMX Agreement. After completion of a feasibility study of the Cathedral Well Project and/or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. The Company may purchase 0.5% of the EMX NSR royalty by paying EMX 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. However, EMX will not retain any royalty on the Company's existing Green Springs project.

In November 2016, the Company and EMX amended the EMX Agreement whereby the Company traded certain mining claims, owned by Nevada Select, (the "Gutsy Claims") in lieu of the final payment of US$25,000. The Company now owns 100% of the Cathedral Well Claims.

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with Colorado whereby Colorado can acquire a 100% interest in the Company's Green Springs project. Colorado can acquire their 100% interest by making cash payments of US$3,000,000 and issuing 2,250,000 Colorado common shares to the Company, as follows:

- At closing – US$50,000 cash (received - $65,865) and 300,000 Colorado common shares (received 300,000 Colorado common shares valued at $78,000);
- Year 1 – US$100,000 cash (received - $129,860) and 500,000 Colorado common shares (received 500,000 Colorado common shares valued at $100,000);
- Year 2 – US$200,000 cash and 600,000 Colorado common shares (not received, see below);
- Year 3 – US$400,000 cash and 850,000 Colorado common shares; and
- Year 4 – US$2,250,000 cash (the "Final Option Payment"). Colorado may at its election make the final Option Payment 50% cash and 50% common shares based on a 30-day volume weighted average price of the Colorado common shares.

On May 10, 2018, Colorado terminated the option agreement with the Company.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(a) Green Springs (con't…)

On October 26, 2018, the Company entered into a non-binding term sheet with a private third party (the "Third Party") whereby the Third Party would be granted the right, upon entering into an option agreement, to acquire a 100% interest in the Company's Green Springs and Cox Claims projects for a total purchase price of US$1,200,000. The purchase price included a non-fundable initial payment of US$50,000 (received - $64,785 included in mineral and royalty interest) due on signing of the term sheet with the remaining balance payable in installments upon the execution of a formal option agreement. During the year ended December 31, 2018, the Company allocated $28,658 and $36,127 of the initial non-fundable payment to the carrying cost of the Green Springs project and Cox Claims, respectively.

Subsequent to December 31, 2018, the Third Party provided notice to the Company and terminated the term sheet with no further payments due to the Company.

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The AMR payments are payable as follows on each anniversary of the agreement:

- Upon signing, US$7,500 (paid in 2013)
- January 16, 2014, US$10,000 (paid in 2013)
- January 16, 2015, US$12,000 (paid in 2014)
- January 16, 2016, US$15,000 (paid in 2015)
- January 16, 2017, US$15,000 (paid in 2017 by Colorado)
- January 16, 2018, US$15,000 (paid in 2018 by Colorado)
- January 16, 2019, US$20,000 (paid subsequent to December 31, 2018)
- January 16, 2020 and on each subsequent anniversary, US $25,000.

The Company has the option to purchase the claims for an amount equal to US$200,000 less the aggregate of the annual AMR payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual AMR payments of US$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate AMR's. The Company has the option to buy-down 1% of the NSR for US$500,000.

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease:

- Upon signing, US$2,500 (paid in 2013)
- January 16, 2014, US$2,500 (paid in 2014)
- January 16, 2015, US$2,500 (paid in 2015)
- January 16, 2016, US$5,000 (paid in 2016)
- January 16, 2017, US$5,000 (paid in 2017 by Colorado)
- January 16, 2018 to January 16, 2023, US$5,000 each year. (paid in 2018 by Colorado)

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(b) Cox Claims (con't…)

In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR and a US$2,500 annual AMR payment (the "Urawest Agreement"). Urawest also negotiated a side agreement with Cox for an additional 0.25% NSR on the Cox Claims, to be deducted from Cox's 2% NSR (the ("Cox Side Agreement"). Urawest, subsequently changed its name to Nevada Eagle and as part of the acquisition of the Nevada Eagle Properties, the Company was assigned the Urawest Agreement and the Cox Side Agreement.

On December 7, 2016, the Cox Claims were included as part of the option agreement with Colorado whereby Colorado can acquire 100% of the Green Springs project and the Cox Claims by making the cash payments and share issuances as noted in Note 8(a). Under the option agreement, Colorado must maintain the Cox Claims in good standing during the option period by making the annual AMR payments and the annual payments to Urawest as per the above schedule of payments. On May 10, 2018, Colorado terminated the option agreement with the Company.

On October 26, 2018, the Company entered into a non-binding term sheet with a private third party ("Third Party") whereby the Third Party would be granted the right, upon entering into an option agreement, to acquire a 100% interest in the Company's Green Springs and Cox Claims projects for a total purchase price of US$1,200,000. Refer to Note 8(a).

Subsequent to December 31, 2018, the Third Party provided notice to the Company and terminated the term sheet with no further payments due to the Company.

(c) Nevada Select Properties

Nevada Select is the Company's 100% owned U.S. subsidiary that owns title to over 76 mineral properties with 27 deeded royalties and 24 properties under option agreements with third parties.

During the year ended December 31, 2018, the Company received total net proceeds from option payments and disposition of mineral and royalty interests of $1,810,226 (2017 - $1,476,376), of which $587,562 (2017 - $506,849) is included in mineral and royalty interests, $810,070 (2017 - $379,413) is included in the statements of loss and comprehensive loss as option proceeds and $384,548 (2017 - $590,114) is included in the statements of loss and comprehensive loss as a gain on disposition of mineral interests. Cash proceeds received upon the disposition of mineral interests was $412,634 (2017 - $658,602).

During the year ended December 31, 2018 the Company staked additional claims for total costs of $21,260 (2017 - $27,197), which is included in mineral and royalty interests as acquisition costs.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (con't…)

*Transactions during the year ended December 31, 2018:*

*Frost Property*

On November 13, 2018, the Company, through its wholly-owned subsidiary Nevada Select, entered into a definitive option agreement with Calico Resources USA Corp, a wholly owned subsidiary of Paramount Gold Nevada Corp. (collectively "Paramount"), whereby Paramount has the option to acquire a 100% interest in the Frost property (the "Frost Property") by making cash payments totaling US$250,000, as follows:

- Initial payment – US$10,000 (received - $12,957)
- US$15,000 on the date on which Paramount receives a permit for a drill program;
- US$25,000 one year after the closing date
- US$50,000 two years after the closing date
- US$50,000 three years after the closing date
- US$100,000 four years after the closing date

Upon completion of the cash payments and the transfer of the Frost claims, Paramount will grant the Company a 2% NSR on the Frost Property. Paramount has the right to reduce the NSR to 1%, at any time, by paying the Company US$1,000,000.

*Rodeo Creek Claims*

On November 12, 2018, the Company, through its wholly-owned subsidiary Nevada Select, entered into a definitive option agreement with Au-Reka Gold Corporation, a wholly owned subsidiary of Premier Gold Mines Ltd. (collectively "Premier"), whereby Premier has the option to acquire a 100% interest in the Rodeo Creek claims (the "Rodeo Creek Claims") by making US$506,572 in option payments to the Company, as follows:

- Initial payment – US$56,572 (received - $73,300)
- US$50,000 six months after the closing date
- US$50,000 one year after the closing date
- US$50,000 two years after the closing date
- US$50,000 three years after the closing date
- US$125,000 four years after the closing date
- US$125,000 five years after the closing date

Upon completion of the cash payments and the transfer of the Rodeo Creek Claims, Premier will grant the Company a 2% NSR on the Rodeo Creek Claims.

*Isabelle Pearl Royalty*

On October 19, 2018, the Company entered into a binding letter agreement with a private owner whereby the Company, through its wholly-owned subsidiary Nevada Select, will acquire 100% of all rights and interests in the 0.75% Gross Receipts Royalty of the Isabella Pearl Property, operated by Gold Resource, by paying cash consideration of US$300,000. The closing of the transaction is subject to the completion of a definitive purchase and assignment agreement, among other necessary closing documentation. As at December 31, 2018, the closing of the royalty transaction remains subject to the completion of a definitive agreement.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (con't…)

*Stateline Property*

On August 8, 2018, the Company entered into a definitive option agreement with Pyramid Gold whereby Pyramid Gold can acquire a 100% interest in the Stateline project by making US$100,000 in combined option payments to the Company, as follows:

- Initial payment – US$5,000 (received - $6,479)
- US$5,000 six months after the effective date (received - $6,478)
- US$15,000 one year after the effective date
- US$25,000 two years after the effective date
- US$25,000 three years after the effective date
- US$25,000 four years after the effective date (the "Stateline Final Option Payment")

If the Stateline Final Option Payment is made the Company will retain a 2% NSR on the Stateline claims. There is a one-mile area of interest associated with the NSR.

Pyramid is also required to pay the Company AMR payments as follows:

- US$15,000 on the first through third anniversary dates of the Stateline Final Option Payment;
- US$25,000 on the fourth anniversary date of the Stateline Final Option Payment and on each anniversary thereafter.

Pyramid Gold may terminate the option agreement at any time without further liability for future option payments.

*Kraut Claims*

On April 27, 2018, the Company closed the sale of the Kraut claim with VR Resources whereby VR Resources acquired 100% of the Kraut claims by making the following payments:

- At closing – US$10,000 (received - $12,957), 50,000 shares valued at $20,000 (received) of VR Resources and the deed of royalty in Nye County Nevada for the Danbo Royalty, consisting of 30 unpatented mining claims
- An additional US$50,000 and 50,000 shares of VR Resources once an initial drill program commences on the Kraut claims.

The Company will retain a 2% NSR on the Kraut claims. VR Resources will have the right to buy down 1% of the royalty for US$500,000 per 0.5% for a maximum of US$1,000,000. As a result of the Company selling the Kraut claims, the Company removed the carrying cost of $nil and recognized a gain on disposition of $33,224, which is included in the statement of loss and comprehensive loss.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (con't…)

*Monitor Claims*

On March 22, 2018, the Company entered into a definitive option agreement with Monitor Gold Corporation ("Monitor"), a wholly owned subsidiary of Orla Mining Ltd. whereby Monitor has the option to acquire a 100% interest in four unpatented mining claims (the "Monitor Claims") by making US$527,000 in option payments to the Company, as follows:

- Initial payment – US$2,000 (received - $2,578)
- US$5,000 one year after the closing date
- US$10,000 two years after the closing date
- US$15,000 three years after the closing date
- US$20,000 four years after the closing date
- US$25,000 five years after the closing date
- US$50,000 six through nine years after the closing date
- US$400,000 ten years after the closing date (the "Monitor Final Option Payment")

If the Monitor Final Option Payment is made the Company will retain a 2.5% NSR on the Monitor Claims. There is no area of interest associated with the Monitor Claims and Monitor will have the right to buy-down 1% of the NSR for an aggregate purchase price of US$1,000,000.

*County Line Project*

On March 9, 2018, the Company entered into a definitive purchase agreement with Gold Resource whereby Gold Resource has acquired a 100% interest in the County Line project for total consideration to the Company of US$300,000 (received $379,410). The Company will retain a 3% NSR on the County line claims. There is a one-mile area of interest associated with the NSR. Gold Resource will have the right to buy-down 1% of the NSR for an aggregate purchase price of US$1,000,000. As a result of the Company selling the County Line property, the Company removed the carrying value of $28,086 and realized a gain on disposition of $351,324, which is included in the statement of loss and comprehensive loss.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*North Carlin Project*

On February 21, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC ("Intermont'), a wholly owned subsidiary of Fremont whereby Fremont can acquire a 100% interest in the North Carlin project by making US$267,500 in option payments to the Company, as follows:

- Initial payment – US$5,000 (received - $8,118) and 200,000 Fremont shares valued at $32,000 (received – of which $28,086 is included in mineral and royalty interest and $3,914 included in option proceeds)
- US$12,500 six months after the closing date (received - $16,196)
- US$25,000 one year after the closing date
- US$37,500 two years after the closing date
- US$37,500 three years after the closing date
- US$50,000 four years after the closing date
- US$100,000 five years after the closing date (the "North Carlin Final Option Payment")

If the North Carlin Final Option Payment is made the Company will retain a 2% NSR on the North Carlin claims. There is no area of interest associated with the North Carlin claims and Fremont will have the right to buy-down 1% of the NSR for US$3,000,000.

Intermont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the North Carlin Final Option Payment;
- US$35,000 on the fourth anniversary date of the North Carlin Final Option Payment and on each anniversary thereafter.

Subsequent to December 31, 2018, Intermont terminated the option agreement. Upon termination, the Company granted Intermont a mineral deed for twelve unpatented mining claims and Intermont granted the Company a 2% net smelters royalty on the deeded claims.

*Gold Canyon Project*

On January 16, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire 100% interest in the Gold Canyon project by making US$802,500 in option payments to the Company, as follows:

- Initial payment – US$15,000 (received - $22,399)
- US$37,500 six months after the closing date (received- $48,300 included in mineral and royalty interest))
- US$75,000 one year after the closing date (received - $96,600 of which $74,372 included in mineral and royalty interest and $22,228 in option proceeds)
- US$112,500 two years after the closing date
- US$112,500 three years after the closing date
- US$150,000 four years after the closing date
- US$300,000 five years after the closing date (the "Gold Canyon Final Option Payment")

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*Gold Canyon Project (continued)*

If the Gold Canyon Final Option Payment is made the Company will retain a 2% NSR on the Gold Canyon claims and a 1% NSR on any acquired or staked additional claims located within a one-mile area of interest. Fremont will have the right to buy-down 1% of the underlying royalties on all the claims for US$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

*Transactions during the year ended December 31, 2017:*

During the year ended December 31, 2017, the Company completed the acquisition of 6 patented mining claims and the related historical data for US$50,000.

*Gold Bar Project*

On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont Gold Ltd. ("Fremont") whereby Fremont can acquire 100% of the Gold Bar project by making US$1,000,000 in option payments to the Company, as follows:

- At closing – US$10,000 (received - $12,986)
- US$40,000 six months after the closing date (received - $51,828)
- US$135,000 one year after the closing date (received - $174,920)
- US$100,000 two years after the closing date
- US$100,000 three years after the closing date
- US$200,000 four years after the closing date
- US$400,000 four years after the closing date (the "Gold Bar Final Option Payment")

If the Gold Bar Final Option Payment is made the Company will retain a 2% NSR. Fremont will have the right to buy-down 1% of the underlying royalty on these key claims for US$5,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Gold Bar Final Option Payment;
- US$25,000 on each anniversary date of the Final Option Payment thereafter.

*New Boston Project*

On September 10, 2017, the Company closed the sale of the New Boston project with VR Resources whereby VR Resources can acquire 100% of the New Boston project by making the following payments:

- At closing – US$10,000 (received - $12,986 included in mineral and royalty interest) and 50,000 shares of VR Resources valued at $16,250 (received included in mineral royalty interest);
- An additional 50,000 shares of VR Resources if VR Resources completes a diamond drill program valued at $20,000 (received).

If a drill program is not completed by VR Resources within 18 months of closing, the property and any new exploration data will be returned to the Company. The Company was granted a 2% NSR on closing, subject to VR Resources' right to buy down one half of the royalty for US$500,000 per 0.5%.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*Wolfpack Property and Royalties Acquisition*

On September 8, 2017, the Company acquired four deeded royalties and one leased property for US$40,000 from Wolfpack Gold (Nevada) Corp.

*Weepah Project*

On July 10, 2017, the Company closed the option of the Weepah project with Valterra Resource Corp ("Valterra") whereby Valterra can acquire 100% of the Weepah project by making the following option payments to the Company:

- At closing – US$100,000 cash or through the issuance of Valterra common shares (received 2,598,680 Valterra common shares valued at $128,880);
- Year 1 – US$100,000 cash or through the issuance of Valterra common shares (received 2,655,740 Valterra common shares valued at $90,547);
- Year 2 – US$200,000 cash;
- Year 3 – US$200,000 cash; and
- Year 4 – US$400,000 cash (the ("Final Option Payment")

If the Final Option Payment is made the Company will retain a 3% NSR on ten unpatented claims and one patented claim. Valterra will have the right to buy-down 1% of the underlying royalty on these claims for US$1,000,000. Sixty-six unpatented claims are subject to a 2% NSR to a third party and Ely Gold will retain a 1% NSR on those claims.

Valterra will pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Final Option Payment;
- US$25,000 on each anniversary date of the Final Option Payment thereafter.

*Eastfield Claim Acquisition*

On June 29, 2017, the Company closed a transaction with Eastfield Resources Ltd ("Eastfield") whereby the Company will acquire an interest in 18 patented claims located in Nevada for $50,000 cash (paid) and by issuing 300,000 common shares (issued with a fair value of $34,500) of the Company to Eastfield.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*Platoro West Properties and Royalties Acquisition*

On June 23, 2017, the Company closed the transaction with Platoro West Incorporated ("Platoro West") whereby the Company acquired Platoro West's portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States (together the "Platoro Properties"). Under the terms of the agreement, the company will pay Platoro West US$500,000 as follows:

- US$25,000 upon signing (paid - $34,280);
- US$225,000 upon closing (paid - $298,158);
- US$125,000 cash on the first anniversary together with 5% per annum interest compounded quarterly from the date of closing (paid - $160,629);
- US$125,000 cash on the second anniversary together with 5% per annum interest compounded quarterly from the date of closing.

The Company also issued 1,000,000 shares purchase warrants to Platoro West with a fair value of $73,337, which is included in acquisition costs. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.125 for a period of three years from the date of closing (Note 11(d)).

During the year ended December 31, 2018, the Company received $251,577 (2017 - $nil) and $305,142 (2017 - $32,465) in option payments related to the Platoro Properties, which has been included in option payments received within mineral and royalty interests and statement of loss and comprehensive loss, respectively. Included in the $305,142 recognized in the statement of loss and comprehensive loss is the 300,000 common shares of Fremont valued at $48,000 (Note 6 (c)).

*Redlich, Moho and Olympic Projects*

On May 26, 2017, the Company entered into definitive option agreements with Pyramid Gold (US) Corp ("Pyramid Gold") whereby Pyramid Gold can acquire a 100% interest in the Redlich, Moho and Olympic projects ("RMO") by making US$600,000 in combined option payments to the Company, as follows:

- Initial payment – US$22,000 (received - $28,569)
- US$33,000 six months after the closing date (received - $42,854, included in mineral and royalty interest)
- US$70,000 one year after the closing date (received - $88,604)
- US$75,000 two years after the closing date
- US$75,000 three years after the closing date
- US$325,000 four years after the closing date (the "RMO Final Option Payments")

If the RMO Final Option Payments are made the Company will retain a 2.5% NSR on the Redlich, Moho and Olympic claims. On the first three anniversaries of the option exercise, Pyramid Gold will pay combined AMR payments of US$30,000 per year on the Redlich and Moho projects. On the fourth anniversary and every year after, Pyramid Gold will pay combined AMR payments of US$50,000 per year. On the Redlich and Moho projects. Pyramid Gold will have the right to buy-down 1% of the NSR on each of the Redlich and Moho projects for an aggregate purchase price of US$1,000,000 per project. On February 7, 2018 Pyramid assigned the option agreements for Moho and Redlich to Hochschild Mining PLC with the terms of the option agreement remaining the same.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*Cimarron Project*

On May 26, 2017, the Company entered into a definitive option agreement with 1082223 BC Ltd ("1082 BC") whereby 1082 BC can acquire a 100% interest in the Cimarron project by making US$250,000 in option payments to the Company, as follows:

- Initial payment – US$10,000 (received - $12,986 included in loss and comprehensive loss)
- US$15,000 six months after the closing date (received - $19,479 included in loss and comprehensive loss)
- US$25,000 one year after the closing date (received - $31,838)
- US$25,000 two years after the closing date
- US$25,000 three years after the closing date
- US$150,000 four years after the closing date (the "Cimarron Final Option Payment")

If the Cimarron Final Option Payment is made the Company will retain a 2.5% NSR on the Cimarron claims. On the first three anniversaries of the option exercise, 1082 BC will pay AMR payments of US$15,000 per year. On the fourth anniversary and every year after, 1082 BC will pay AMR payments of US$25,000 per year. On May 17, 2017, 1082 BC assigned its interest in the Cimarron project to Ridgestone Mining Inc.

*Bald Peak Project*

On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius Gold Inc. ("Radius") for total proceeds of US$35,115 (received – $46,710). The Company recorded a gain on the disposition of $46,710 in relation to the sale of its interest in Radius as it had a $nil carrying value at the date of sale. The Company issued, to Radius, a Deed with Reservation of Royalty to Radius that provides for:

- a 3% NSR on certain claims of the Bald Peak Project;
- a 1% NSR on certain claims of the Bald Peak Project;
- an area of interest of two miles;
- an annual AMR payment of US$25,000 beginning on the date an exploration permit is issued;
- Radius may buy-down 1% of the 3% NSR for US$1,000,000.

## 8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

*Hackberry North Project*

On January 20, 2017, the Company closed the transaction with Bitterroot whereby Bitterroot can acquire a 100% interest in the Company's Hackberry North Project by making cash payments of US$150,000 and issuing 600,000 Bitterroot common shares to the Company, as follows:

- At closing – US$20,000 cash (received - $25,972) and 200,000 Bitterroot common shares valued at $30,000 (received);
- Year 1 – US$30,000 cash and 100,000 Bitterroot common shares;
- Year 2 – US$50,000 cash and 100,000 Bitterroot common shares;
- Year 3 – US$50,000 cash and 200,000 Bitterroot common shares.

The Company will retain a 3% NSR on precious metals, a 2% NSR on all other products sold and a 0.5% NSR on unpatented lands which Bitterroot acquires within a 2.66-mile radius of the property. On the first three anniversaries of the option exercise, Bitterroot will pay AMR payments of US$10,000 per year. On each of the fourth through 10th anniversaries, Bitterroot will pay AMR payments of US$15,000 per year.

On July 31, 2018, Bitterroot terminated the option agreement. Upon termination, the Company granted Bitterroot a mineral deed for three unpatented mining claims and Bitterroot granted the Company a 3% net smelters royalty on the deeded claims.

*Isabella Project*

On January 6, 2017, the Company executed an agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource, for US$460,000. The Company will retain a NSR (the "Isabella NSR") of 2.5%. Gold Resource has the option to buy-down 0.5% of the Isabella NSR for US$500,000. The Isabella NSR includes an area of interest (the "Isabella AOI") on claims not already held by Gold Resource in their Isabella Pearl property package. The Isabella AOI royalty will be 2%, of which Gold Resource can buy-down 1% for US$1,000,000. The total purchase is payable to the Company as follows:

- US$100,000 cash (received - $134,483);
- US$60,000 cash (received - $80,689) as a one-time AMR payment; and
- US$300,000 (received - $396,720) in Gold Resource restricted common stock, which equated to 59,642 shares (received).

As a result of the Company selling the Isabella property, the Company removed the carrying value of $68,488 and realized a gain on disposition of $543,404, which is included in the statement of income and comprehensive income.

(d) Fenelon Royalty

On October 17, 2018, the Company acquired from Balmoral Resources Ltd. ("Balmoral") 100% of all rights and interests in the 1% net smelter royalty on the Fenelon Mine Property, operated by Wallbridge Mining Company Ltd. Under the agreement, the Company is to pay Balmoral cash consideration of $500,000 (paid) issue 1,000,000 common shares valued at $130,000 (issued) and grant Balmoral 1,000,000 share purchase warrants entitling Balmoral to acquire 1,000,000 common shares of the Company for a period of 18 months at an exercise price of $0.10 valued at $52,700 (issued). In connection with the transaction with Balmoral, the Company paid success fees of $25,000 in cash (paid), 50,000 common shares of the Company valued at $6,500 (issued) and issued 50,000 full share purchase warrants entitling the holder to acquire 50,000 common shares of the Company for a period of 18 months at an exercise price of $0.10 valued at $2,636 (issued).

(Expressed in Canadian Dollars)

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Trade payables | $ | 188,558 | $ | 150,824 |
| Accrued liabilities | | 38,000 | | 32,500 |
| Due to related parties | | 924 | | 287,675 |
| Total | $ | 227,482 | $ | 470,999 |

## 10. NOTES PAYABLE

On May 4, 2016, the Company issued a promissory note (the "Note") in the amount of US$400,000 in connection with the acquisition of certain Nevada Select Properties (Note 8(c)). The Note accrues interest at 5% per annum, compounding every three months from the date of issuance and was due on May 4, 2018 with early settlement permitted without penalty. The note payable is secured by the Company's interest in certain mining claims.

On April 25, 2018, the Company repaid the principal of $514,760 and accrued interest of $53,093 of the Note for a total cash amount of $567,853.

For the year ended December 31, 2018, $8,876 (2017 - $27,346) of interest is included in the statements of loss and comprehensive loss relating to the Note.

On June 23, 2017, the Company issued a promissory note in the amount of US$250,000 (the "Platoro Note") in connection with the acquisition of the Platoro West Properties and Royalties Acquisition (Note 8(c)). The Platoro Note accrues interest at 5% per annum, compounding every three months from the date of issuance.

On January 2, 2018, the Company repaid the first tranche of the Platoro Note (US$125,000 in principle plus accrued interest of US$3,329) for an amount of $160,629.

As at December 31, 2018, the carrying value of the Platoro Note is $183,934 (US$134,829) (2017 - $321,888 (US$256,587)), including accrued interest of $13,409 (2017 - $8,263).

For the year ended December 31, 2018, $8,533 (2017 - $8,554) of interest is included in the statement of loss and comprehensive loss relating to the Platoro Note.

The second tranche of the Platoro Note plus all accrued interest was repaid subsequent to December 31, 2018.

## 11. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at December 31, 2018 and 2017, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

- On December 31, 2018, the Company closed the first tranche of a non-brokered private placement issuing 10,000,000 units (each a "Unit") at $0.11 per Unit for gross proceeds of $1,100,000. Each Unit was comprised of one common share of the Company and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.22 for a period of five years, subject to an acceleration provision under which, if at any time after April 30, 2019 the daily volume weighted average trading price of the Company's common shares is higher than $0.60 per share on the TSX Venture Exchange for more than 20 consecutive trading days, the Company may, within three trading days, issue a news release announcing that the warrants will expire on the date which is 30 calendar days after such 20th trading day. The Company incurred shares issuance costs of $111,371.

- As at December 31, 2018, the Company had received $47,315 in advanced subscription receipts relating to a private placement that closed subsequent to December 31, 2018. Refer to Note 16(a).

- On October 31, 2018, the Company issued 1,050,000 common shares with a fair value of $136,500 for the acquisition of the Fenelon Royalty (Note 8(d)).

- On April 26, 2018, the Company issued 3,000,000 common shares upon the exercise of warrants for total proceeds of $210,000.

- On June 29, 2017, the Company issued 300,000 common shares with a fair of $34,500 for the acquisition of mineral properties (Note 8(c)).

(c) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (2% if the participant is a consultant). Under the Plan, the exercise price of each option may not be less than the market price of the Company's share capital as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd...)

(c) Stock options (cont'd...)

As at December 31, 2018 and 2017, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

| Expiry Date | Exercise Price | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| February 15, 2019* | $ 0.10 | 250,000 | - |
| January 5, 2021 | $ 0.06 | 500,000 | 500,000 |
| September 22, 2021 | $ 0.06 | 850,000 | 850,000 |
| January 30, 2023 | $ 0.14 | 250,000 | 250,000 |
| January 28, 2024 | $ 0.12 | 600,000 | 600,000 |
| November 27, 2024 | $ 0.06 | 550,000 | 550,000 |
| March 11, 2026 | $ 0.09 | 250,000 | 250,000 |
| August 18, 2026 | $ 0.15 | 1,200,000 | 1,200,000 |
| June 19, 2027 | $ 0.125 | 500,000 | 500,000 |
| November 22, 2027 | $ 0.10 | 1,725,000 | 1,725,000 |
| February 15, 2028 | $ 0.10 | 200,000 | - |
| Total outstanding and exercisable | | 6,875,000 | 6,425,000 |

* On February 15, 2019, 250,000 stock options with an exercise price of $0.10 expired unexercised.

The weighted average remaining contractual life for the outstanding options at December 31, 2018 is 6.26 years (2017 – 7.41 years).

Stock option transactions are summarized as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of year | 6,425,000 | $ 0.10 | 5,225,000 | $ 0.11 |
| Granted | 450,000 | $ 0.10 | 2,225,000 | $ 0.11 |
| Expired | - | $ - | (600,000) | $ 0.12 |
| Forfeited/cancelled | - | $ - | (425,000) | $ 0.12 |
| Options exercisable, end of year | 6,875,000 | $ 0.10 | 6,425,000 | $ 0.10 |

On February 15, 2018, the Company granted incentive stock options to a consultant of the Company entitling them to purchase 250,000 common shares at a price of $0.10 per share for a period of one year vesting 25% every three months from the date of grant and expiring February 15, 2019. The fair value of these options was calculated at $6,171 using the Black-Scholes option pricing model. For the year ended December 31, 2018, $5,975 is included in the statement of loss and comprehensive loss as a share-based payment expense.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd...)

(c) Stock options (cont'd...)

On February 15, 2018, the Company granted incentive stock options to a consultant of the Company entitling them to purchase 200,000 common shares at a price of $0.10 per share for a period of ten years vesting 100% on the date of grant and expiring February 15, 2028. The fair value of these options was calculated at $18,181 using the Black-Scholes option pricing model and is included in the statement of loss and comprehensive loss as a share-based payment expense.

On November 22, 2017, the Company granted incentive stock options to directors, consultants and an officer of the Company entitling them to purchase 1,725,000 common shares at a price of $0.10 per share for a period of 10 years vesting 100% on the grant date and expiring November 22, 2027. The fair value of these options was calculated at $172,500 using the Black-Scholes option pricing model.

On June 19, 2017, the Company granted incentive stock options to a director of the Company entitling them to purchase 500,000 common shares at a price of $0.125 per share for a period of 10 years vesting 100% on the grant date and expiring June 19, 2027. The fair value of these options was calculated at $54,196 using the Black-Scholes option pricing model.

During the year ended December 31, 2018, no (2017 – 1,025,000) options expired unexercised and the relating fair value of $nil (2017 - $205,688) was transferred from share-based payment reserve to deficit.

(d) Warrants

As at December 31, 2018 and 2017, the following share purchase warrants were outstanding:

| Expiry Date | Exercise Price | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| May 4, 2018* | $0.07 | - | 3,000,000 |
| October 3, 2018** | $0.20 | - | 5,000,000 |
| June 23, 2020 | $0.125 | 1,000,000 | 1,000,000 |
| May 1, 2020 | $0.10 | 1,050,000 | - |
| December 31, 2023 | $0.22 | 10,000,000 | |
| Total | | 12,050,000 | 9,000,000 |

* On April 26, 2018, 3,000,000 share purchase warrants with an exercise price of $0.07 were exercised for total proceeds of $210,000 to the Company. Upon exercise, $267,220 in share-based payment reserve was allocated to share capital.

** On October 3, 2018, 5,000,000 share purchase warrants with an exercise price of $0.20 expired unexercised.

On December 31, 2018 the Company issued 10,000,000 share purchase warrants relating to the non-brokered private placement (Note 11(b). Each share purchase warrant is exercisable to purchase one common share of the Company for $0.22 for a period of five years. These warrants were determined to have a fair value of $nil

On October 31, 2018, the Company issued 1,050,000 share purchase warrants relating to the Fenelon royalty acquisition (Note 8(d)). Each share purchase warrant is exercisable to purchase one common share of the Company for $0.10 until May 1, 2020. The fair value of $55,335 is included as acquisition costs in mineral and royalty interests.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd...)

(d) Warrants (cont'd…)

On June 23, 2017, the Company issued 1,000,000 share purchase warrants relating to the Platoro West properties and royalties acquisition. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.125 until June 23, 2020. The fair value of $73,337 is included as acquisition costs in mineral and royalty interests (Note 8(c)).

Share purchase warrant transactions are summarized as follows:

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | | Weighted Average Exercise Price | Number of Warrants | | Weighted Average Exercise Price |
| Balance, beginning of year | 9,000,000 | $ | 0.147 | 8,000,000 | $ | 0.15 |
| Issued | 11,050,000 | $ | 0.21 | 1,000,000 | $ | 0.125 |
| Exercised | (3,000,000) | $ | 0.07 | - | $ | 0.000 |
| Expired | (5,000,000) | $ | 0.20 | - | $ | 0.000 |
| Balance, end of year | 12,050,000 | $ | 0.20 | 9,000,000 | $ | 0.147 |

The weighted average remaining contractual life for the outstanding warrants at December 31, 2018 is 4.39 years (2017 – 0.7 years).

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Options | Warrants | Options | Warrants |
| Risk-free interest rate | 2.03% | 2.33% | 1.83% | 1.12% |
| Expected dividend yield | 0.00 | 0.00 | 0.00 | 0.00 |
| Expected stock price volatility | 79.85% | 62.20% | 103.18 | 99.79% |
| Expected life in years | 5 | 1.5 | 10 | 3 |
| Weighted average fair value | $0.05 | $0.05 | $0.10 | $0.07 |

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

(Expressed in Canadian Dollars)

## 12. RELATED PARTY TRANSACTIONS

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Short-term employment benefits | $ 528,404 | $ 792,394 |
| Share-based payments | - | 201,352 |
| Total | $ 528,404 | $ 993,746 |

As at December 31, 2018, $924 (2017 - $287,675) is owing to directors and officers of the Company for management bonuses, which is included in accounts payable and accrued liabilities. A prepaid advance of $23,795 (2017 - $nil) was made to an officer and director of the Company.

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company has in place termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of $319,296 in the event they are terminated without cause, or $837,888 in the event there is a change of control.

## 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| For the year ended December 31, | 2018 | 2017 |
|---|---|---|
| Significant non-cash investing activities consisted of: | | |
| Marketable securities received for mineral claims | $ 192,951 | $ 749,850 |
| Common shares issued for mineral and royalty interests | $ 136,500 | $ 34,500 |
| Fair value of warrants issued for mineral and royalty interests | $ 55,335 | $ 73,337 |
| Note payable for mineral and royalty interests | $ - | $ 324,425 |

## 14. SEGMENT INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of mineral properties and option of those assets, in one geographic location: the United States.

(Expressed in Canadian Dollars)

## 15. DEFERRED INCOME TAXES

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows for the years ended December 31, 2018 and 2017:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Income (loss) for the year | $ | (1,050,822) | $ | (1,645,704) |
| Canadian statutory tax rate | | 27% | | 26% |
| Income tax expense computed at statutory rates | | (283,722) | | (427,883) |
| Foreign tax rates different from statutory rates | | 33,962 | | (9,529) |
| Change in timing differences | | 6,895 | | (142,115) |
| Rate difference between current and deferred taxes | | - | | 398,522 |
| Change in accounting policy | | - | | (286,247) |
| Foreign exchange gains or losses | | 94,704 | | 41,353 |
| Expired non-capital loss | | - | | 87,280 |
| Loss on marketable securities | | - | | 5,389 |
| Non-deductible items | | 15,909 | | 348,175 |
| Under provided in prior years | | (34,050) | | (925,530) |
| Tax losses and tax offsets not recognized (recognized) | | 166,302 | | 910,585 |
| Income tax recovery | $ | - | $ | - |

The British Columbia corporate tax rate and the Canadian federal corporate tax rate remained was 11% and 16%, respectively (2017 – 11% and 15%, respectively) for a total statutory tax rate of 27% (2017 – 26%).

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Non-capital losses | $ | 14,509,247 | $ | 14,494,254 |
| Capital losses | | 2,252,381 | | 2,252,381 |
| Share issue costs | | 17,815 | | 26,722 |
| Tax value over book value of equipment | | 1,811 | | 1,811 |
| Tax value over book value of exploration and evaluation assets | | 5,529,949 | | 5,433,357 |
| Tax value over book value of investments | | 524,019 | | 489,390 |
| Unrecognized deductible temporary differences | $ | 22,835,222 | $ | 22,697,915 |

As at December 31, 2018, the Company has non-capital losses carried forward of approximately $12,741,090 (2017 - $12,114,000) and $2,736,262 (2017 - $2,380,000) that may be applied against future income for tax purposes in Canada and the United States, respectively. The non-capital losses expire between 2026 and 2038.

## 16. EVENTS AFTER THE REPORTING PERIOD

(a) On January 17, 2019, the Company closed the second and final tranche of a non-brokered private placement issuing 3,000,000 units (each a "Unit") at $0.11 per Unit for gross proceeds of $330,000. Each Unit was comprised of one common share of the Company and one non-transferrable share purchase warrant ("Tranche Two Warrant"). Each Tranche Two Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.22 for a period of five years, subject to an acceleration provision under which, if at any time after May 17, 2019 the daily volume weighted average trading price of the Company's common shares is higher than $0.60 per share on the TSX Venture Exchange for more than 20 consecutive trading days, the Company may, within three trading days, issue a news release announcing that the Warrants will expire on the date which is 30 calendar days after such $20^{th}$ trading day. As at December 31, 2018, the Company had received $47,315 in advanced subscription receipts.

(b) On January 21, 2019, the Company entered into a definitive option agreement with Delamar Mining Company ("Delamar"), a wholly owned subsidiary of Integra Resources Corp., whereby Delamar can acquire a 100% interest in the War Eagle property by making US$200,000 in option payments to the Company, as follows:

- Initial payment – US$20,000 (received)
- US$20,000 six months after the closing date
- US$30,000 one year after the closing date
- US$30,000 two years after the closing date
- US$30,000 three years after the closing date
- US$70,000 four years after the closing date ("War Eagle Final Option Payment")

If the War Eagle Final Option Payment is made the Company will retain a 1% NSR on the War Eagle property. Delamar has the right to accelerate the payments and exercise of the option at any time prior to the fourth-anniversary. The War Eagle property is subject to an underlying 5.0% gross royalty payable to the State of Idaho.

(c) On April 18, 2019, the Company acquired from an arm's length third party (the "Seller") 100% of all rights and interests in a 2% net smelter royalty on the Fenelon Mine Property, operated by Wallbridge Mining Company Ltd, and located in west-central, Quebec. This 2% net smelter return royalty is in addition to the 1% net smelter return royalty acquired on October 17, 2018 (Note 8(d)). Under the agreement, the Company acquired the additional 2% Fenelon royalty for cash consideration of $600,000 (paid).

(d) On April 24, 2019, the Company entered into a binding letter agreement with a private individual whereby the Company will acquire 100% of all rights and interests to a 1% net smelter return royalty on the Lincoln Hill Property, operated by Coeur Mining Inc., for cash consideration of $755,000 and by issuing 500,000 common share purchase warrants entitling the holder to purchase one common share of the Company for a period of two years from the closing date at an exercise price of $0.18. The transaction is expected to close in the second quarter 2019.