GENERATION MINING LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 11 (INCORPORATION) TO DECEMBER 31, 2018

(Expressed in Canadian dollars)

GENERATION MINING LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Generation Mining Limited (the "Company") are the responsibility of the management and Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Jamie Levy” (signed)	“Halina McGregor” (signed)
President and Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Generation Mining Limited

Opinion

We have audited the financial statements of Generation Mining Limited, (the Company), which comprise the statements of financial position as at December 31, 2018 and January 11, 2018 (Incorporation) and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the period from January 11 (Incorporation) to December 31, 2018, and notes to the financial statements, including a summary or significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and January 11, 2018 (Incorporation), and its financial performance and its cash flows for the period from January 11 (Incorporation) to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's discussion & analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 25, 2019
Toronto, Ontario

GENERATION MINING LIMITED

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	As at	
	December 31, 2018	January 11, 2018 (Incorporation)
ASSETS		
CURRENT		
Cash	$ 1,167,899	$ 1
Receivables (note 6 and 10)	531,744	-
Prepaid expenses and deposits	49,226	-
Marketable securities (note 7)	1,502,550	-
	$ 3,251,419	$ 1
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 183,388	$ -
Debt (note 14)	163,405	-
	346,793	-
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 9 a)	3,237,812	1
RESERVE FOR WARRANTS (note 9 b))	839,007	-
RESERVE FOR SHARE-BASED PAYMENTS (note 9 c))	320,626	-
DEFICIT	(1,492,819)	-
	2,904,626	1
	$ 3,251,419	$ 1

Nature of operations and going concern (note 1)
Commitments and contractual obligations (note 6 and 13)
Subsequent events (note 15)

Approved on behalf of the Board of Directors on April 25, 2019

(signed) "*Jamie Levy*", Director

(signed) "*Brian Jennings*", Director

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

GENERATION MINING LIMITED

STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	January 11 (Incorporation) to December 31, 2018
EXPENSES	
Acquisition, evaluation and exploration expenditures (note 6)	$ 2,680,261
Share-based payments	320,626
Professional fees	251,517
Management and corporate administration services	237,700
Shareholder and investor communications	94,212
Occupancy cost	62,274
Operating loss	(3,646,590)
Gain on property option assignment (note 6 and 7)	1,424,885
Gain on marketable securities and receivables (note 7 and 10)	625,191
	(1,596,514)
Deferred income tax recovery (note 11 and 12)	103,695
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,492,819)
Loss per share:	
Basic and diluted loss per share	$ 0.04
Weighted average number of common shares outstanding	35,225,773

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

GENERATION MINING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Capital stock		Reserves for			
	Shares	Amount	Warrants	Share-based payments	Deficit	Total Equity
Balance, January 11, 2018	1	$ 1	-	-	-	$ 1
Issued pursuant to the Arrangement (note 1)	15,969,934	1,533,114	-	-	-	1,533,114
Cancellation of incorporation share (note 1)	(1)	(1)	-	-	-	(1)
Issued under property option agreements (note 6)	3,500,000	223,300				223,300
Issued for cash under private placement (note 9 a)	26,000,000	2,600,000	-	-	-	2,600,000
Flow through share premium (note 11)	-	(103,695)	-	-	-	(103,695)
Fair value ascribed to warrants issued in private placement (note 9 b)	-	(810,265)	810,265	-	-	-
Fair value ascribed to broker warrants issued in private placement (note 9 b)	-	(74,493)	74,493	-	-	-
Share issue cost	-	(130,149)	(45,751)	-	-	(175,900)
Fair value of options granted (note 9 c)	-	-	-	320,626	-	320,626
Net loss for the period	-	-	-	-	(1,492,819)	(1,492,819)
Balance, December 31, 2018	45,469,934	$ 3,237,812	$ 839,007	$ 320,626	$ (1,492,819)	$ 2,904,626

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

GENERATION MINING LIMITED

STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

	January 11 (Incorporation) to December 31, 2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net loss for the period	$ (1,492,819)
Add items not affecting cash:	
Mineral properties transferred from Arrangement (note 1)	1,216,848
Share-based payments	320,626
Flow-through share premium	(103,695)
Shares issued for acquisition	223,300
Interest accrued but not paid	13,011
Unrealized gain on marketable securities	(625,191)
Gain on property option assignment	(1,424,885)
Changes in non-cash working capital:	
Accounts receivable	(34,218)
Pre-paid expense and deposits	(38,992)
Accounts payable and accrued liabilities	183,388
Cash used in operations	(1,762,627)
CASH PROVIDED BY FINANCING ACTIVITIES:	
Proceeds on issuance of common shares and warrants	2,600,000
Share issue cost	(175,900)
Cash transferred from Arrangement (note 1)	456,425
Cash from property option assignment	50,000
Cash provided by financing activities	2,930,525
INCREASE IN CASH	1,167,898
CASH AT BEGINNING OF THE PERIOD	1
CASH AT END OF THE PERIOD	$ 1,167,899

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

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN:

Generation Mining Limited ("Generation Mining" or the "Company") is a base and precious metals exploration and development company with various property interests throughout Canada. The Company was incorporated on January 11, 2018 under the Business Corporations Act (Ontario). The Company's registered office is located at 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1. The Company's shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol GENM.

On December 15, 2017, Pine Point Mining Limited ("Pine Point") entered into an arrangement agreement (the "Arrangement") with Osisko Metals Incorporated ("Osisko Metals") pursuant to which Osisko Metals acquired, by way of court approved plan of arrangement, all of the issued and outstanding common shares of Pine Point, including common shares that became outstanding after the date of the execution of the Arrangement but before the effective time of the Arrangement upon the exercise of outstanding share options and warrants of Pine Point.

Under the Arrangement, Pine Point shareholders received, in exchange for each of their existing common shares of Pine Point: (i) 0.271 of a common share of Osisko Metals, (ii) 0.0677 of a common share purchase warrant of Osisko Metals, and (iii) one common share of Generation Mining; consolidated on a 10:1 basis under the Arrangement. The Company was formed for the sole purpose of participating in the Arrangement and had not carried on any active business other than in connection with the Arrangement and related matters. On February 16, 2018, Pine Point shareholders approved the Arrangement which was subsequently finalized on February 23, 2018. Pine Point shareholders received in aggregate 15,969,934 common shares of Generation Mining.

Pursuant to the Arrangement all exploration assets owned by Pine Point other than the Pine Point Project located in the Northwest Territories, as well as certain other assets and liabilities of Pine Point, were transferred to Generation Mining. The shares of Generation Mining were distributed to Pine Point shareholders under the terms of the Arrangement, the Company became a reporting issuer in British Columbia, Alberta, Nova Scotia, Northwest Territories, Yukon and Nunavut, and its shares became eligible for trading on the CSE on May 9, 2018. The primary business objective of the Company is to explore and further develop the Davidson Molybdenum Project in British Columbia and its other mineral properties, and to continue to increase its portfolio of base and precious metals property assets through acquisition.

As part of the Arrangement, for accounting purposes the transactions have been recorded as an asset acquisition and the following properties and assets were acquired:

Darnley Bay Anomaly, Northwest Territories
Darnley Bay Diamond, Northwest Territories
Lac Lessard, Quebec
Davidson, British Columbia
Clear Lake, Yukon Territory
Nak, British Columbia

Total value of mineral properties acquired	$ 1,216,848
Cash acquired	456,425
Other assets	10,425
Less: liabilities assumed	(150,393)
Consideration: shares issued	$ 1,533,114

1. NATURE OF OPERATIONS AND GOING CONCERN (continued):

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to explore and develop potential ore reserves or by way of entering into joint venture arrangements, future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

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

The financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The financial statements do not reflect any adjustments that might be necessary to the carrying value of the assets and liabilities which might be significant if the Company is unable to continue as a going concern.

As at December 31, 2018, the Company has working capital of $1,402,076 (excluding marketable securities) and an accumulated deficit of $1,492,819. Management is continuously evaluating the market and financing opportunities. The ability of the Company to continue as a going concern is dependent on the Company having access to financing to meet its operational cash needs. It is not possible to determine with any certainty the success or adequacy of these initiatives.

2. BASIS OF PREPARATION:

The annual financial statements are prepared on the historical cost basis except for certain assets and liabilities which are measured at their fair values, as explained in the relevant accounting policies.

The financial statements are presented in Canadian dollars which is also the Company's functional currency.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements for the period from January 11, 2018 (Incorporation) to December 31, 2018 were approved and authorized for issue by the board of directors on April 25, 2019.

The accounting policies applied in preparing the financial statements for the period from January 11, 2018 (Incorporation) to December 31, 2018 are set out below.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES

Significant Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these financial statements include, but are not limited to, the valuation of equity instruments and income taxes. Actual results could differ from management's best estimates.

a) Fair value of equity instruments

The Company used the Black-Scholes option pricing model to determine the fair value of warrants and options issued. Option pricing models require the use of highly subjective estimates and assumptions including the expected volatility used. In the absence of a volatility of the Company's share price, the Company has used the volatility of the share prices of comparable Canadian junior mining companies as a proxy to estimate the Company's share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

b) Income taxes

The interpretation of existing tax laws or regulations in Canada where the Company's operations are located requires the use of judgement. Differing interpretation of these laws or regulations could result in an increase in the Company's taxes, or other government charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period.

c) Determination of going concern assumption

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's ability to continue as a going concern.

Mineral Properties: Acquisition Cost, Exploration and Evaluation Expenditures

Acquisition cost, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources are charged to the statement of loss and comprehensive loss as incurred. Currently, all acquisition costs, exploration and evaluation expenditures are expensed as incurred. The Company may occasionally enter into transfer-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures that would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is recorded to the acquisition cost, exploration and evaluation expenditures in the statement of loss and comprehensive loss.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Income Taxes

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

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

Deferred tax is recorded for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are recorded to recognize tax benefits only to the extent, based on available evidence, that it is probable that they will be realized. The following temporary differences are not provided for: goodwill not deductible for tax purposes; and the initial recognition of assets or liabilities that affect neither accounting nor taxable loss.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates expected to be applied to temporary differences which may reverse, based on tax laws, enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payments note (see note 9(c)).

For options to employees that do not immediately vest, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based payments.

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

For those options that expire after vesting, the recorded value is transferred to retained earnings (deficit).

Basic and Diluted Earnings (Loss) per Share

Basic earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Reclamation Obligations

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for a reclamation obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

Share Issuance Costs

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to capital stock when the related shares are issued, net of any tax effects. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive income (loss).

Flow-through Shares

Upon the issuance of flow-through shares, the Company records the initial proceeds to capital stock, net of any flow-through premium. The liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow-through share financing. The liability pertaining to the premium is recognized in the statement of comprehensive income (loss) as deferred income tax recovery upon renunciation of the tax benefit of the expenditures to investors. The Company renounces the tax benefits of the expenditures to investors upon filing the necessary paperwork to renounce with the tax authorities.

Warrants

Proceeds from unit placements are allocated between shares and warrants issued by calculating the value of the warrants using the Black-Scholes option pricing model with the residual being allocated to shares. The fair value of the share component is credited to share capital and the value of the warrant component is credited to reserve for warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the reserve for warrants account is recorded as an increase to capital stock. For those warrants that expired unexercised, the recorded value is transferred to retained earnings (deficit).

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Two criteria are used to determine how financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial assets. The Company's investments are classified as FVTPL and any realized and unrealized gains and losses arising from changes in the fair value of the financial statements are included in the statement of comprehensive income (loss).

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

All other financial assets and financial liabilities including cash, receivables, accounts payable and accrued liabilities and debt are recognised as amortized cost less and loss allowance for expected credit losses if applicable.

The Company's financial instruments are classified and subsequently measured as follows:

Asset / liability	Classification	Measurement model
Cash	Amortized cost	Amortized cost
Receivables	FVTPL	Fair value
Investments	FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Debt	Amortized cost	Amortized cost

Financial instruments recorded at fair value

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or standard valuation techniques derived from observable market inputs;
- Level 3 – valuation techniques using inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instruments fair value.

The Company's investment is classified as Level 2. There have been no transfers between levels.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income (loss), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Future Accounting Changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretation Committee that are not yet effective for the relevant reporting periods. Updates that are not applicable or are not consequential to the Company have been excluded there from. The Company is in the process of evaluating the impact on its financial statements.

IFRS 16 *Leases* sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers.*

4. FINANCIAL RISK FACTORS AND FAIR VALUE

The Company manages its exposure to a number of different financial risks arising from operations as well as from the use of financial instruments, including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk, through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up-to-date market information.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit Risk

Credit risk is the financial risk of non-performance of a contracted counter party. The Company's credit risk is primarily attributable to cash and receivables. The Company reduces its credit risk by maintaining its cash with a Canadian chartered bank. The credit risk on the receivables is reduced as the majority of the amount owing is in shares. The Company’s maximum exposure to credit risk as at December 31, 2018 is the carrying value of cash and receivables.

Liquidity Risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations in full. The Company's main source of liquidity is its cash and marketable securities. These funds are primarily used to finance working capital, exploration expenditures, capital expenditures, and acquisitions. The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. As at December 31, 2018, the Company has current assets of $3,251,419 to cover current liabilities of $346,793. The current assets include marketable securities and receivables that are restricted (note 7).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate, foreign exchange rates, and commodity and equity prices affecting its cash, interest bearing investments, receivables and marketable securities.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company has no significant exposure to foreign currency exchange risk as it has no significant transaction balances denominated in a foreign currency.

Interest Rate Risk
Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate fair value risk to the extent that a portion of the debt is at a fixed interest rate.

4. FINANCIAL RISK FACTORS AND FAIR VALUE (continued):

Market risk (continued)

Other Price Risk
Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Company is exposed to fluctuations in market prices of its marketable securities and shares receivable from a quoted mining exploration company. The fair value of these financial instruments represents the maximum exposure to price risk.

If the quoted price of these instruments had changed by 1% as at December 31, 2018, comprehensive loss would have changed by approximately $20,000.

Fair Value

The carrying value of cash, accounts payable and accrued liabilities are considered to be representative of their fair value due to their short-term nature. The fair value of long-term debt is not considered to be materially different from its carrying value. Investments and receivables are recorded at fair value as of December 31, 2018 and classified as Level 2 in the fair value hierarchy as they are recorded at fair value by reference to market quoted prices less adjustments for any restrictions.

5. CAPITAL MANAGEMENT:

The Company manages its capital structure and makes adjustments to it, based on the funds required and available to the Company, in order to support the acquisition, exploration and development of mineral properties. As at December 31, 2018, the Company's capital consists of shareholder's equity in the amount of $2,904,626. The Board of Directors does not establish quantitative return on capital criteria for the Company, but rather relies on the expertise of the Company's management to sustain future development of the business. In this relatively formative stage of the Company's existence, it is likely that primary emphasis will continue to be placed on equity instruments, as funded debt is currently not available to the Company.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned and future exploration, and pay for administrative costs, the Company intends to raise additional amounts of working capital as needed. The Company may continue to assess new properties and seek to acquire an interest in additional properties if there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

6. MINERAL PROPERTIES AND AGREEMENTS:

ASSIGNED MINERAL PROPERTIES AND AGREEMENTS: On February 23, 2018, the Company was assigned mineral properties formerly optioned by Darnley Bay Resources Limited ("Darnley Bay") and under the name Pine Point Mining Limited at the time of the Arrangement (note 1).

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Darnley Bay Anomaly, Northwest Territories:

On May 8, 2007, Darnley Bay announced an agreement in principal with the Inuvialuit Regional Corporation (the "Inuvialuit") regarding the terms of a new base-metals/diamond concession in the 7(1)(a) lands where the Inuvialuit own the subsurface and surface rights.

A combined metals and diamonds concession agreement (the "Concession") was signed on December 22, 2009 for the 7(1)(a) lands to clarify the formal commitment. Prior to signing of the agreement, as a pre-condition, on December 29, 2009, Darnley Bay paid 50% ($626,268) of its outstanding commitments to the Inuvialuit. According to the agreement, all activities and consequently all payments and required work commitments are divided into three stages:

Exploration stage **-** valid for a 10-year period from December 22, 2009 and renewable for two more three-year periods at $150,000 for each renewal (adjusted for inflation). A contiguous 50% of the remaining land area of the Concession shall be dropped upon each extension, subject to any areas designated being excluded from the total land area from which 50% must be dropped. The start of the exploration stage is deemed to be the date of the signing of the agreement.

On August 30, 2016, Darnley Bay and the Inuvialuit reached an agreement on the restructuring of the fee schedule. The restructured agreement makes it possible to resume exploration at a later date, at such time as funds become available. At the time of the restructured agreement, Darnley Bay had spent a total of $6,704,928 on the property. The primary components of the restructuring are as follows:

- The Exploration portion of the agreement has been extended to 2023;
- A payment of $50,000 was made to the Inuvialuit on October 3, 2016, to settle all outstanding amounts currently owing (approximately $230,220);
- There will be no further payments required until 2020 or until the S&P TSX Venture composite index reaches a level of 1500, whichever comes first. Once the milestone is reached, a payment of $50,000 each year is required until 2024, for a total of $250,000. Then, in 2025, a lump sum payment of $425,000 will be made to make up the difference, which will then total $875,000 in payment as agreed in 2009. The remaining exploration requirements of approximately $6.3 million will be deferred until 2020, by which time there will be a minimum commitment of $1 million each year until 2025 to complete the total expenditure.

Cash payments and work commitments are as follows:

	Cash payments	Work commitment	Evaluation and exploration expenditures
2016	50,000 (paid)	-	13,201
2017	-	-	11,995
2018	-	-	552,135
Extension period *			
2020	50,000	1,000,000	-
2021	50,000	1,000,000	-
2022	50,000	1,000,000	-
2023	50,000	1,000,000	-
2024	50,000	1,000,000	-
2025	425,000	1,281,871	-
	$ 875,000	$ 6,281,871	$ 577,331

* dependent on TSX Venture composite index.

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Darnley Bay Anomaly, Northwest Territories (continued):

In any year, the work commitment is reduced by the percentage of lands that have been designated as project areas and preceded to the second stage of activities. For each renewal period, an amount of $1,000,000 in work commitments per year is needed to maintain the concession rights. Any underperformed amount of work commitment in any year can be paid in cash.

Project definition stage – the Company defines project areas within the concession on which it will be conducting continuous exploration activities. The term is for 10 years with respect to metals from the time of designation and 6 years with respect to diamonds. There is an option to extend this stage for an additional 5 years for metals and 2 years for diamonds for $150,000 for each extension. During the project definition stage, the annual fee is $100,000 per year plus $48.00 per square kilometer, adjusted for inflation, and the same fees as in Exploration stage apply to any lands that are not designated.

At this stage, the Company has to incur $10 per acre in the first five years and $20 per acre in subsequent years for minimum cumulative work of $500,000 on each project.

Production stage – the Company is entitled to the issuance of the mining lease, if it will be able to start production within 36 months of the issuance of the lease. The mining lease is valid for 15 years with respect to metals and 10 years with respect to diamonds. The amount of annual fees to be paid will be determined at the time of issuance of the mining lease.

The Agreement is subject to a 6% NSR for both diamonds and metals paid to Inuvialuit. During each year of the mining lease, the minimum amount of the royalty should be $800,000. The Inuvialuit Mining Corporation has an option to a 10% participating interest in any mining lease by reimbursing the Company the proportionate amount of costs that have been incurred during the project definition stage.

In the period from January 11, 2018 and ended December 31, 2018, the Company spent $552,135 on evaluation and exploration work on the property. A total of $577,331 in the period since the fee restructuring will be used toward the total outstanding work commitment.

Darnley Bay Diamond, Northwest Territories:

Under an agreement dated June 24, 2003, with Carnarvon Capital Corporation, Darnley Bay agreed to pursue a joint venture diamond exploration program near Paulatuk, Northwest Territories, in the Inuvialuit Settlement Region ("ISR”) 7(1)(b) lands where the Inuvialuit hold the surface rights and the Crown holds the mineral rights. The property encompassed mining claims held in the names of Darnley Bay and Diadem Resources Ltd. (“Diadem”). The principal terms of understanding between the parties were amended from time to time and exploration was conducted on the property. The claims that became jointly registered and exclusively located on the Parry Peninsula, were kept in good standing however, a formal joint venture arrangement was not agreed upon.

On February 4, 2004, Darnley Bay and Diadem entered into an agreement with the Inuvialuit under which Darnley Bay and Diadem would enter into a Cooperation and Benefits Agreement. The agreement would cover an area in the ISR around Paulatuk of about 57,000 square kilometers (excluding the area around Paulatuk in which the Inuvialuit own the mineral rights and excluding the Tuktut Nogait National Park). The agreement was for five years from January 1, 2004 with provisions for renewal and termination consistent with the joint venture's mining rights in the area. The Darnley Bay/Diadem joint venture would be granted access to the Inuvialuit lands to conduct exploration, development and extraction operations for rough diamonds. The joint venture would be required to obtain all necessary permits and approvals, and would pay the fees and charges under the Inuvialuit rules with a minimum amount payable each year of $50,000.

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Darnley Bay Diamond, Northwest Territories (continued):

On May 6, 2013, Darnley Bay entered into a purchase and sale agreement with Diadem providing for the purchase of Darnley Bay's interest in the diamond project. Under the terms of the agreement, Diadem would have exclusive rights to all diamonds in the Parry Peninsula, northeast of Paulatuk. This agreement was intended to supersede all previous agreements entered into by Darnley Bay and Diadem, the most recent dated September 27, 2011.

Consideration for the purchase by Diadem would consist of: 11,700,000 common shares; 11,700,000 warrants, each warrant entitling Darnley Bay to purchase one common share of Diadem at a price of $0.10 per share for a period of 30 months after the closing date of June 30, 2013. Darnley Bay would retain a 2% Net Smelter Royalty ("NSR") on the sale of diamonds and all other minerals produced from the project. Diadem would have the right to purchase 1% of the NSR for $1.0 million in cash. Diadem agreed to reimburse Darnley Bay for up to $40,000 in costs associated with the 2010 drilling program. In addition, Diadem would grant Darnley Bay the right to purchase up to $40,000 worth of securities of Diadem, at the lowest price per security offered by Diadem to third party investors, in connection with the first equity financing completed by Diadem after the closing date.

Diadem agreed to incur a minimum of $1,500,000 of expenditures with respect to the project within 24 months of the date of the agreement. In the event that Diadem failed to incur the expenditures within the 24 month period, then in addition to all of the compensation paid to Darnley Bay, Diadem would transfer 100% of its interest in the project to Darnley Bay in return for a two percent (2%) net smelter royalty from the sale of diamonds produced from the project.

At December 31, 2018 and 2017, there were no transactions related to the terms of the May 6, 2013 agreement however; the parties are continuing to cooperate to advance exploration on the 13 mineral leases with Diadem currently responsible for all expenses relating to the property.

Lac Lessard, Quebec:

On November 18, 2014, Darnley Bay executed a letter agreement with Eastmain Resources Inc. ("Eastmain") pursuant to which Darnley Bay has the option to acquire a 50% undivided interest in Eastmain's Lac Lessard project, currently wholly-owned by Eastmain, and to create a joint operation once the option has been exercised.

Under the terms of the Agreement, Darnley Bay had to incur exploration expenditures on the property totaling $2.5 million over a four-year period, including a firm commitment of $500,000 during the first year, pay Eastmain $50,000 in cash on or before December 31, 2014, and an additional $50,000 on each subsequent anniversary of the date of signing of the Agreement for the duration of the option period, for a total of $200,000 in cash payments and issue Eastmain 1.6 million Darnley Bay common shares within 15 days of receipt of regulatory approval.

The 2014 agreement cost of $50,000 was paid and $1.6 million shares were issued to Eastmain. In 2015, Darnley Bay accrued the anniversary payment of $50,000 and incurred $494,855 of the $500,000 initial work commitment on exploration. In 2016 and 2017, Darnley Bay did not incur any exploration expenditures or agreement payments. Subsequently, the parties have not negotiated a revised agreement to restructure the exploration commitments and agreement payments and on May 9, 2018, the Company forfeited the rights under the letter agreement.

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Davidson, British Columbia:

On April 1, 2016, Darnley Bay signed a vending agreement with Roda Holdings Inc. to acquire a 100% interest in the Davidson molybdenum property in British Columbia based on terms set out in a Letter of Intent dated March 7, 2016. The property consists of six mineral leases and two mining claims covering an area of 2,087 hectares. Darnley Bay made a non-refundable payment of $50,000 within 45 days of the signing of the Letter of Intent. Ongoing payments include $100,000 on each anniversary of the agreement until the commencement of commercial production, or the agreement is terminated. Commercial production is defined in the agreement as the capability to mine at least 500,000 tons of ore within one year.

Upon commercial production, Roda will be entitled to a net smelter return royalty of 3%. Payments of the royalty shall be made quarterly within 30 days after the completion of a fiscal quarter of the Company following the commencement of commercial production. If the royalty amounts to less than $100,000 per year, the Company will make a payment that is equivalent to the difference between the royalty for the fiscal period and $100,000.

On April 1, 2017, the parties agreed to pay the first anniversary payment in two tranches with $50,000 paid on April 28, 2017 and $50,000 paid on October 31, 2017. On April 1, 2018, the second anniversary payment of $100,000 was made for total agreement payments of $250,000. In the period from January 11, 2018 to December 31, 2018, an additional $81,289 was paid to maintain and evaluate the property and one claim was allowed to lapse.

Clear Lake, Yukon Territory:

On May 24, 2016, Darnley Bay entered into an option agreement with Bernard Kreft ("Kreft") to acquire a 100% interest, subject to a net smelter return royalty, in the Clear Lake zinc-lead-silver deposit in the Yukon Territory. The property consists of 121 claims covering approximately 2,479 hectares. There is a combination of cash payments, work commitments and share issuance.

An agreement payment of $10,000 was made on upon execution. Annual cash payments are to be made over five years beginning on or before March 31, 2017 for a total of $90,000. There are additional payments of $25,000 for each 1500m of drilling on or before March 31, 2020 and March 31, 2021.

Work commitments consist of a minimum $500,000 expenditure on the property on or before March 31, 2019 with $25,000 to be incurred by August 31, 2016. On August 23, 2016, the $25,000 commitment was extended to August 31, 2017 the balance of the $500,000 commitment remains the same. Completion of 3000 meters of drilling, to be carried out prior to March 31, 2019, is an additional requirement. The cost of drilling may be part of the total minimum work commitment.

Kreft will be entitled to receive and additional payment of $125,000 and 250,000 shares of the optionor on completion of a NI 43-101 technical report disclosing resources to at least the category of inferred resources containing at least one of the following; 2.2 billion pounds of zinc, 320 million pounds of lead or 320 million grams of silver.

The net smelter return royalty is 2%. The optionor has the right to buy back 5/8 or 62.5% of the royalty for $1,000,000 at any time prior to the commencement of commercial production.

On March 31, 2017, the first anniversary payment of $10,000 was made and on September 1, 2017, the parties agreed to replace the outstanding balance of the $25,000 work commitment (in the amount of $4,039) with a one-time cash payment of $1,000. Agreement payments and work commitments of $23,320 were made in the period from January 11, 2018 to October 1, 2018.

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Clear Lake, Yukon (continued):

On October 1, 2018, the Company entered into an Assignment, Assumption and Amending Agreement with Eastern Zinc Corp. ("Eastern Zinc") and the optionor of the Clear Lake property to assign the exclusive right and option to acquire a 100% interest in the property to Eastern Zinc. Pursuant to the Agreement, Eastern Zinc paid $50,000 in cash and issued 4,200,000 common shares of Eastern Zinc to the Company. An additional $50,000 in cash will be paid and 1,670,000 common shares of Eastern Zinc will be issued to the Company on October 1, 2019. The common shares are subject to a four-month hold period.

On October 19, 2018, Eastern Zinc undertook a split of its issued and outstanding shares on three shares for one existing share basis. At December 31, 2018, the Company held 12,600,000 common shares of Eastern Zinc valued at $1,502,550 and an additional 5,010,000 common shares valued at $447,526 at December 31, 2018 are receivable and due to be issued on October 1, 2019 (note 7 and 10).

Nak, British Columbia:

On August 30, 2016, Darnley Bay entered into an agreement to acquire a 100% interest, subject to a royalty, in the Nak copper-gold project in British Columbia. The vendor is the owner of 14 mineral claims over 1,603 hectares. The terms of the acquisition include a $15,000 cash payment upon signing, additional cash payments, work commitments and an option of common share issuance.

Cash payments of $150,000 over five years include $15,000 on the execution of agreement and first three anniversaries of signing, $30,000 on the fourth anniversary and $60,000 on the fifth anniversary. Bonus payments will consist of $25,000 on completion of 1,500 metres of drilling on or before August 31, 2020 and a further $25,000 on or before August 31, 2021 upon a total of 3,000 metres of drilling. There was a work commitment of $25,000 to be completed by May 26, 2017, of which $12,500 was deferred to June 26, 2018 and complete at December 31, 2018. The total work commitment of $500,000 is to be incurred on or before August 31, 2019.

A further payment of $125,000 and 250,000 common shares will be payable upon the completion of an additional 7,000 meters of drilling for a total of 10,000 metres on or before December 31, 2022. The optionor may elect to pay $250,000 rather than issue the common shares or pay a combination of common shares and cash equivalent to $250,000 based on a 20-day volume weighted average price.

The optionor will retain a 2% Net Smelter Royalty, 62.5% of which can be purchased from the vendor for $1.5 million at any time prior to the commencement of commercial production.

On August 30, 2017, the first anniversary payment of $15,000 was made. On May 28, 2018, the vendor waived the work commitment balance of $12,500 to be completed by June 26, 2018 and in the subsequent period to December 31, 2018 there was $13,013 spent on the property. The Company has a work commitment balance of $474,487 to be made prior to August 31, 2019.

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Nak, British Columbia (continued):

Cash payments and work commitments are as follows:

	Cash payments	Cash payments on completion of drilling	Work commitment	Work commitment made
August 30, 2016	$ 15,000 (paid)	-	$ -	$ -
December 31, 2016	-	-	-	-
May 26, 2017	-	-	12,500	12,500
August 31, 2017	15,000 (paid)	-	-	-
June 26, 2018	-	-	12,500	-
August 31, 2018	15,000 (paid)	-	-	-
December 31, 2018	-	-	-	13,013
August 31, 2019	15,000	-	450,000	-
August 31, 2020	30,000	25,000	-	-
August 31, 2021	60,000	25,000	-	-
December 31, 2022	125,000	-	-	-
	$ 275,000	$ 50,000	$ 500,000	$ 25,513

***ACTIVITY IN 2018*:**

Rawdon Zinc (formerly Kennetcook), Nova Scotia:

On March 16, 2018, the Company entered into a Claims Acquisition Agreement to acquire a 100% interest in an exploration property with potential to host lead-zinc-silver-copper mineralization in central Nova Scotia consisting of nine mineral licenses totalling 11,171 hectares. Pursuant to the agreement, the Company issued 3,000,000 common shares valued at $191,400 to the vendors (note 8).

In May, 2018, the Company acquired nine additional mineral licenses covering an area of 9,504 ha for a total area of 20,675 ha at December 31, 2018.

Alberta Zinc, Alberta:

On May 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the Alberta Zinc project near High Level, Alberta covering 60,000 hectares and consisting of eight mineral rights permits. The Company paid $10,000 and issued 500,000 common shares valued at $31,900 to the vendor upon signing the agreement. A further payment of $50,000 (in cash or shares) is required on the first anniversary date and $200,000 before the second anniversary of the agreement. The property is subject to a 2% gross metals royalty, of which the Company can purchase half at any time for $1 million.

A minimum of $100,000 in expenditures on the property was to be made by December 8, 2018 and on November 16, 2018, the Company was granted a 60-day extension to complete the work commitment.

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Mineral Properties Expenditures:

In the period from incorporation to December 31, 2018, there was $909,658 spent on exploration of mineral properties and $553,755 on acquisition and evaluation payments for a total of $1,463,413 on the properties mentioned above. On February 23, 2018, the value of mineral properties transferred to the Company through the plan of arrangement was $1,216,848.

	Acquisition and Evaluation Expenses		Exploration Expenses	Cumulative from January 11 to December 31, 2018
	Cash	Shares (1)		
Darnley Bay Anomaly	23,350	-	528,785	552,135
Darnley Bay Diamond	-	-	-	-
Davidson	181,289	-	-	181,289
Nak	25,971	-	2,042	28,013
Clear Lake	23,320	-	-	23,320
Rawdon Zinc (formerly Kennetcook)	41,950	191,400	291,549	524,899
Alberta Zinc	34,575	31,900	87,282	153,757
Total expenditures in the period	$ 330,455	$223,300	$ 909,658	$ 1,463,413
Transfer of mineral properties				1,216,848
Total mineral property expense				$ 2,680,261

(1) 3,000,000 common shares issued with a fair value of $191,400 for the Rawdon Zinc (formerly Kennetcook) property and 500,000 common shares issued with a fair value of $31,900 for the Alberta Zinc property (note 9 a).

7. MARKETABLE SECURITIES:

In consideration of the assignment of the Clear Lake option agreement dated October 1, 2018, the Company holds 12,600,000 common shares of Eastern Zinc Corp. The Company may, depending on market and other conditions, or as future circumstances may dictate, from time to time, on an individual or joint basis, increase or dispose of some or all of the existing or additional securities it holds or will hold through market transactions, private agreements, or otherwise.

As at December 31, 2018, the Company has 20.6% of the outstanding common shares of Eastern Zinc and subsequent to the period end ownership has decreased to under 20%. The Company does not exert significant influence on Eastern Zinc since it does not have representation on the Board of Directors, does not participate in management or decision-making processes, does not share management personnel and there are no material business dealings or transactions between the Company and Eastern Zinc going forward. Therefore, the Company is accounting for the common shares of Eastern Zinc as a portfolio investment at fair value.

On October 1, 2018, the common shares of Eastern Zinc were valued at $1,008,000 based on the market price less a 20 per cent discount for the four-month hold period. As of December 31, 2018, the Eastern Zinc common shares were valued at $1,502,550 based on a 30-day volume weighted average price less a 10% discount for the remaining hold period placed on the common shares. The discount was based on discount for securities with similar hold periods from restricted stock studies. A fair value adjustment (gain) of $494,550 was included in the statement of comprehensive loss for the change in the fair value of the investment in Eastern Zinc.

8. RELATED PARTY TRANSACTIONS:

Key management of the Company includes its directors, Chief Executive Officer and Chief Financial Officer. Compensation to key management is paid in the form of cash and stock-based payments (note 9 c)).

During the period from incorporation to December 31, 2018, key management of the Company charged consulting fees of $201,925.

On March 16, 2018, two directors of the Company acted as vendors in the Claims Acquisition Agreement for the Rawdon Zinc (formerly Kennetcook) property, through companies under their control. Under the terms of the Claims Acquisition Agreement, each director received 750,000 common shares of the Company.

On May 11, 2018, there were 2,400,000 stock options granted to key management of the Company. The options are exercisable at $0.10 for up to five years. The fair value of the options is $236,148.

As at December 31, 2018, accounts payable include $30,955 due to the related parties mentioned above.

Management believes these transactions are in the normal course of business and are measured at the fair value.

9. CAPITAL STOCK:

a) Common shares:

The Company’s authorized share capital consists of an unlimited number of common shares.

On January 11, 2018, the Company issued one issuer share.

On February 23, 2018, as a result of the Arrangement agreement, the issuer share was cancelled and each of the common shares of Pine Point were exchanged for one common share of the Company which were consolidated on a 10:1 basis resulting in a total of 15,969,934 common shares issued to shareholders of Pine Point. The issued shares were independently valued at $0.096 per share.

On April 9, 2018, the Company issued an aggregate of 3,000,000 common shares to the vendors of the Rawdon Zinc (formerly Kennetcook) Property pursuant to the Claims Acquisition Agreement dated March 16, 2018.

On April 20, 2018, the Company completed a non-brokered private placement through the issuance of 22,550,000 units at a price of $0.10 per unit, and the issuance of 2,450,000 flow-through common shares at a price of $0.10 per flow-through share for aggregate proceeds of $2,500,000. Each unit consists of one common share and one-half of one common shares purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.20 until April 20, 2020. Cash commissions to finders were paid at 6% of the proceeds raised and finder’s warrants were issued representing 6% of the securities purchased. Each finder’s warrant entitles the holder to purchase one common share at $0.10 per common share until April 20, 2020.

(Expressed in Canadian dollars)

9. CAPITAL STOCK (continued):

a) Common shares (continued):

On April 25, 2018, the Company completed a second tranche of its non-brokered private placement raising additional proceeds of $100,000 through issuance of 500,000 units at a price of $0.10 per unit, and the issuance of 500,000 flow-through common shares at a price of $0.10 per flow-through share. Each unit consists on one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.20 until April 25, 2020. Cash commissions to finders were paid at 6% of the proceeds raised and finder's warrants were issued representing 6% of the securities purchased. Each finder's warrant entitles the holder to purchase one common share at $0.10 per common share until April 25, 2020.

On May 14, 2018, the Company issued 500,000 common shares to the vendor of the Alberta Zinc property pursuant to the option agreement dated March 10, 2018.

b) Warrants:

On April 20, 2018, there were 11,275,000 warrants at $0.20 and 1,299,000 broker warrants at $0.10 issued and exercisable for up to two years. The fair value of the warrants is recorded as $792,693 and was estimated on the date of measurement under Black Scholes. The fair value of the broker warrants is $98,408 and is considered a share issue cost.

On April 25, 2018, there were 250,000 warrants at $0.20 and 30,000 broker warrants at $0.10 issued and exercisable for up to two years. The fair value of the warrants is recorded as $17,571 and was estimated on the date of measurement under Black Scholes. The fair value of the broker warrants is $2,272 and is considered a share issue cost.

The following table summarizes warrants that have been issued during the period from incorporation to December 31, 2018:

	Number of warrants	Exercise price	Expiry date
Outstanding, January 11, 2018	0		
Warrants issued during the period	11,275,000	$ 0.20	April 20, 2020
	1,299,000	$ 0.10	April 20, 2020
	250,000	$ 0.20	April 25, 2020
	30,000	$ 0.10	April 25, 2020
Outstanding, December 31, 2018	12,854,000		

The fair value of each warrant was estimated on the date of measurement. Under Black-Scholes, the warrants issued in 2018 were valued and recorded in reserve for warrants using the following inputs and assumptions at the measurement date:

	Non flow-through April 20, 2018	Flow-through April 20, 2018	Non flow-through April 25, 2018	Flow-through April 25, 2018
Number of warrants	11,275,000	1,299,000	250,000	30,000
Exercise price ($)	$ 0.20	$ 0.10	$ 0.20	$ 0.10
Market Price ($)	$ 0.09	$ 0.09	$ 0.09	$ 0.09
Expected volatility (%)*	202	202	202	202
Risk-free interest rate (%)	1.93	1.93	1.93	1.93
Expected life (years)	2.00	2.00	2.00	2.00
Dividend yield (%)	-	-	-	-
Fair value of warrants	$ 792,693	$ 98,408	$ 17,571	$ 2,272

*Based on volatility of comparable companies.

(Expressed in Canadian dollars)

9. CAPITAL STOCK (continued):

c) Stock Option Plan:

On May 9, 2018, the Company adopted an incentive Stock Option Plan (the "Plan"). Under the Plan, options are non-assignable and may be granted for a term not exceeding five years. The total number of common shares that may be reserved for issuance may not exceed ten percent of outstanding common shares at the grant date and may not exceed five percent for any one person in any 12-month period. The exercise price of an option may not be lower than the discounted market price of the common shares on the Canadian Securities Exchange. The options are non-transferable. Outstanding options may be adjusted by the Board in certain events, as to exercise price and number of common shares, to prevent dilution or enlargement.

On May 11, 2018, pursuant to the adoption of the Plan and in accordance with its terms, the Company granted an aggregate of 3,000,000 options to purchase common shares for a price of $0.10 over a period of five years to officers, directors and consultants of the Company.

On November 21, 2018, the Company granted an additional 300,000 options to purchase common shares for a price of $0.15 over a period of two years to consultants of the Company.

The fair value of options granted under the Plan is estimated on the date of grant using Black-Scholes. The fair value assigned to options issued in the period from January 11, 2018 to December 31, 2018 was $320,626 and expensed to net income, using the following inputs and assumptions at the measurement date:

	May 11, 2018	November 21, 2018
Number of options	3,000,000	300,000
Exercise price ($)	0.10	0.15
Market Price ($)	0.10	0.11
Expected volatility (%)*	214	196
Risk-free interest rate (%)	2.21	2.23
Expected life (years)	5.00	2.00
Dividend yield (%)		
Fair value of options	$ 295,183	$ 25,443

***Based on the volatility of comparable companies**

10. RECEIVABLES:

As part of the sale of the Clear Lake property, Eastern Zinc Inc. has agreed to pay additional consideration of $50,000 and 5,010,000 shares of Eastern Zinc on October 1, 2019. The additional consideration has been set up as a receivable and the shares to be received recorded at fair value. As at December 31, 2018, the shares were valued based on the 30-day volume weighted average price less a 32.58% discount or $447,526. The gain on the receivable was $130,641. A total receivable of $497,526 is related to the Clear Lake option assignment.

11. OTHER LIABILITIES:

On April 20 and 25, 2018, the Company issued 2,950,000 flow-through shares at a price of $0.10 per share for total proceeds of $295,000 which must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2018. A liability of $103,695 was incurred on the flow-through shares issued. The Company has renounced to the flow-through shareholders in 2018 and recognised $103,695 in the statement of comprehensive loss as deferred income tax recovery.

(Expressed in Canadian dollars)

12. INCOME TAXES:

a) At December 31, 2018 the Company has non-capital losses of $791,211 that can be used to reduce future taxable income and expire in 2038.

The movement in deferred tax in the statement of financial position and the Company's deferred tax assets and liabilities are as follows:

	2018
Non-capital losses carry forwards	$ 209,671
Marketable securities	(165,676)
Share issue costs	44,322
Mineral property	632,094
Deferred tax assets not recognized	(720,411)
Net asset	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits.

b) The Company's provision for income taxes differ from the amounts computed by applying the basic current rates to loss for the year before taxes, as shown in the following table:

	2018
Statutory rate applied to loss for the year before income taxes of 26.5% for 2018	$ (423,076)
Effects of:	
Non-deductible expenses and other	(241,933)
Share issue costs and other	(55,402)
Flow-through shares premium	(103,695)
Change in deferred tax assets not recognized and other	720,411
Deferred income recovery	$ (103,695)

13. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

The Company was assigned an amending agreement to renew its office lease for the period to May 31, 2019 with a monthly commitment of $8,889 which includes basic and additional rent.

The Company has indemnified the subscribers of flow-through share offerings against any tax related amounts that become payable by the shareholder should the Company not meet its expenditure commitments.

14. DEBT:

Debt consists of unsecured debt plus accrued interest owing to a former officer of Darnley Bay Resources Limited (renamed Pine Point Mining Limited) and assigned to the Company on February 23, 2018. The debt bears interest at 10% and is repayable in monthly blended principal and interest payments of $1,000. Interest has been accounted for on the outstanding balance. Payments were suspended on March 30, 2012.

15. SUBSEQUENT EVENTS:

a) On February 20, 2019, the Company co-signed a lease for office space commencing on May 1, 2019 for a term of six years and six months. The Company has a monthly commitment of $10,687 for its share of the basic and additional rent.

b) On April 17, 2019, the Company announced that it has signed a binding Letter of Intent ("LOI") with Sibanye Gold Limited ("Sibanye") allowing it to earn an initial 51% and up to 80% interest in the Marathon PGM deposit near Marathon, Ontario. The property consists of 44 mining leases (3,013 ha) and 82 contiguous mining claims (13,312 ha). The LOI gives the Company until June 15, 2019 to complete a due diligence review, negotiate a definitive agreement and close a minimum $8,000,000 equity financing to earn the initial 51% interest. The Company paid $100,000 upon signing the LOI. An additional $2,900,000 in cash will be payable and $3,000,000 worth of the Company's common shares (at the offering price) will be issued pursuant to the financing. To earn a further 29% interest, the Company is required to maintain the property and spend $10,000,000 in exploration and development expenditures in the four years following the closing date. The parties will fund future exploration expenditures on an 80/20 pro rata basis and be subject to normal dilution provisions. Upon completion of a definitive feasibility study and making a positive commercial production decision, Sibanye will have an option to increase its interest to 51% by paying 31% (if it has maintained a 20% interest) of the total capital cost prescribed by the feasibility study within 90 days of the commercial production decision date.