CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
InZinc Mining Ltd.

Opinion

We have audited the accompanying consolidated financial statements of InZinc Mining Ltd. (the "Company"), 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 shareholders' 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 obtained at the date of this auditor's report includes 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

April 25, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	December 31, 2018	December 31, 2017
ASSETS		
Current		
Cash (Note 4)	**$ 597,620**	$ 3,483,198
Receivables (Note 5)	**40,075**	13,354
Prepaids	**19,874**	15,800
Marketable securities (Note 6)	**770**	1,665
	658,339	3,514,017
Reclamation deposits (Note 7)	**169,287**	119,048
Exploration and evaluation assets (Note 7)	**8,307,662**	5,880,009
	$ 9,135,288	$ 9,513,074
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 8 and 10)	**$ 86,848**	$ 187,078
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**17,348,969**	17,323,349
Reserves – share-based (Note 9)	**782,547**	622,368
Reserves – accumulated other comprehensive loss	**(1,519)**	(624)
Deficit	**(9,081,557)**	(8,619,097)
	9,048,440	9,325,996
	$ 9,135,288	$ 9,513,074

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board:

"Wayne Hubert" — Wayne Hubert, Director

"John Murphy" — John Murphy, Director

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)
For the year ended

		December 31, 2018		December 31, 2017
EXPENSES				
Communication and investor relations	**$**	**29,872**	$	57,637
Filing and regulatory		**17,926**		24,004
Foreign exchange loss		**10,580**		13,625
Office and miscellaneous (Note 10)		**88,971**		103,849
Professional fees (Note 10)		**100,651**		90,032
Property investigation costs		**33,365**		-
Rent (Note 10)		**9,000**		9,000
Share-based compensation (Notes 9 and 10)		**160,179**		270,774
Travel		**11,916**		33,086
		(462,460)		(602,007)
Interest income		**-**		1,422
Loss for the year		**(462,460)**		(600,585)
Unrealized loss on marketable securities		**(895)**		(209)
Loss and comprehensive loss for the year	**$**	**(463,355)**	$	(600,794)
Basic and diluted loss per common share	**$**	**(0.00)**	$	(0.01)
Weighted average number of common shares outstanding		**108,844,323**		74,844,624

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital					
	Issued	**Amount**	**Reserves – share-based**	**Reserves – accumulated other comprehensive loss**	**Deficit**	**Total**
Balance at December 31, 2016	72,655,419	$ 14,033,941	$ 374,353	$ (415)	$ (8,126,512)	$ 6,281,367
Shares issued for cash	34,980,000	3,498,000	-	-	-	3,498,000
Share issue costs	-	(409,592)	153,241	-	-	(256,351)
Shares issued for exploration and evaluation assets	200,000	48,000	-	-	-	48,000
Options exercised	850,000	153,000	(68,000)	-	-	85,000
Share-based compensation	-	-	270,774	-	-	270,774
Allocation of expired options	-	-	(108,000)	-	108,000	-
Unrealized loss on marketable securities	-	-	-	(209)	-	(209)
Loss for the year	-	-	-	-	(600,585)	(600,585)
Balance at December 31, 2017	108,685,419	$ 17,323,349	$ 622,368	$ (624)	$ (8,619,097)	$ 9,325,996
Shares issued for exploration and evaluation assets	200,000	29,000	-	-	-	29,000
Share issue costs	-	(3,380)	-	-	-	(3,380)
Share-based compensation	-	-	160,179	-	-	160,179
Unrealized loss on marketable securities	-	-	-	(895)	-	(895)
Loss for the year	-	-	-	-	(462,460)	(462,460)
Balance at December 31, 2018	**108,885,419**	**$ 17,348,969**	**$ 782,547**	**$ (1,519)**	**$ (9,081,557)**	**$ 9,048,440**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)
For the year ended

	December 31, 2018	December 31, 2017
OPERATING ACTIVITIES		
Loss for the year	**$ (462,460)**	$ (600,585)
Items not involving cash:		
Share-based compensation	**160,179**	270,774
Unrealized foreign exchange loss (gain) on reclamation deposit	**(10,239)**	8,312
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**(26,721)**	21,940
Increase in prepaids	**(4,074)**	(1,930)
Decrease (increase) in accounts payable and accrued liabilities	**(45,571)**	36,307
Cash used in operating activities	**(388,886)**	(265,182)
CASH FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	**(2,360,406)**	(153,904)
Reclamation deposits	**(40,000)**	-
Cash used in investing activities	**(2,400,406)**	(153,904)
FINANCING ACTIVITIES		
Proceeds from share issue	**-**	3,583,000
Share issue costs	**(96,286)**	(163,445)
Cash provided by (used in) financing activities	**(96,286)**	3,419,555
Change in cash during the year	**(2,885,578)**	3,000,469
Cash, beginning of year	**3,483,198**	482,729
Cash, end of year	**$ 597,620**	$ 3,483,198

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

InZinc Mining Ltd. (the "Company") was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June 2002. The Company's head office is at 912 - 1112 West Pender Street, P.O. Box 48268, Station Bentall Centre, Vancouver, BC, V7X 1A2. The Company's registered and records office is at Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, BC, V6C 2B5. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol IZN.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. Management estimates it has sufficient funds to operate for the upcoming twelve months.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

Approval of the financial statements

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 25, 2019.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiary.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, N.P.R. (US) Inc., a Nevada corporation, the principal activity of which is exploration in the United States. 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. All inter-company transactions and balances have been eliminated upon consolidation.

Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS 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 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.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based compensation

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

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs are first tested for impairment and the capitalized costs of the related property are transferred to mining assets and upon commencement of commercial operations are amortized over the estimated useful life of the property following.

If it is determined that capitalized acquisition, exploration and evaluation 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.

Capitalized amounts include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statements of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration 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 asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the years presented.

Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants, and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

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

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

Share-based compensation

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash, receivables, and reclamation deposits are classified as amortized cost. Marketable securities are classified as FVOCI.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred tax

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

New accounting policies adopted

IFRS 9, Financial Instruments

Effective January 1, 2018, the Company retrospectively adopted IFRS 9. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Prior periods were not restated and there was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

IFRS 9, Financial Instruments (cont'd…)

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the consolidated financial statements as a result of adopting this standard.

New and amended IFRS pronouncements

The following new standards, amendments to standards and interpretations applicable to the Company are not yet effective and have not been applied in preparing these consolidated financial statements.

IFRS 16, Leases

IFRS 16, "Leases" replaces IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company has determined the impact of this new standard will be increased disclosure.

4. CASH

Cash is comprised as follows:

	December 31, 2018	December 31, 2017
Cash in Canadian financial institutions	**$ 579,932**	$ 3,482,798
Cash in US financial institutions	**17,688**	400
	$ 597,620	$ 3,483,198

(Expressed in Canadian dollars)

5. RECEIVABLES

Receivables are comprised as follows:

	December 31, 2018	December 31, 2017
GST receivable	$ 40,075	$ 8,023
Other receivables	-	5,331
	$ 40,075	$ 13,354

6. MARKETABLE SECURITIES

As at December 31, 2018 the fair market value of the securities held was $770 (2017 - $1,665).

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated the titles to its exploration and evaluation assets and, to the best of its knowledge, the titles are in good standing.

West Desert property

The Company holds a 100% interest in various mining claims and a mineral lease referred to as the West Desert property (“West Desert”), located in Utah, USA. The property is subject to a 1.5% net smelter returns royalty (“NSR”) and a future cash payment of $1,000,000, upon the completion of a financing necessary to bring West Desert into production.

PX property

The Company holds a 100% interest in various mining claims referred to as the PX property (“PX”), located in Utah, USA.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Indy property

On October 18, 2016, the Company entered into an option agreement with Pac Shield Resources Inc. ("PSR"), a private British Columbia company, to acquire a 100% interest in and to certain mineral claims located in the central British Columbia referred to as the Indy Property ("Indy").

To acquire Indy, the Company must make cash payments totaling $305,000, issue a total of 2,100,000 common shares, and complete work commitments of $2,600,000, as follows:

	Acquisition in cash	Acquisition in shares	Work commitments
March 24, 2017 (completed)	$ -	200,000	$ -
April 4, 2017 (completed)	30,000	-	-
January 29, 2018 (completed)	25,000	200,000	75,000
January 29, 2019 (Note 16)	25,000	300,000	200,000
January 29, 2020	25,000	400,000	325,000
January 29, 2021	75,000	500,000	750,000
January 29, 2022	125,000	500,000	1,250,000
	$ 305,000	2,100,000	$ 2,600,000

In addition, a $500,000 cash payment and the issuance of 500,000 shares of the Company will be made to PSR if the Company files a technical report establishing a 500,000,000 pound zinc resource on the property. A further $500,000 cash payment will be made to PSR should the Company file a technical report establishing a 750,000,000 pound zinc resource on the property.

The property is subject to a 1.0% NSR held by PSR (the "PSR NSR") and a 1.5% NSR held by Kerry Curtis, non-executive Chairman of the Board and a director of the Company, and a director and the controlling shareholder of PSR. On exercise of the option and prior to completion of a feasibility study on the property, the Company has the right to purchase the PSR NSR for $1,500,000.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2018:

	West Desert	PX	Indy	Total
Acquisition costs				
Balance, December 31, 2017	$ 394,127	$ -	$ 79,280	$ 473,407
Additions during the year:				
Cash payments	-	-	25,000	25,000
Shares issued	-	-	29,000	29,000
Staking	-	35,066	15,483	50,549
	-	35,066	69,483	104,549
Balance, December 31, 2018	394,127	35,066	148,763	577,956
Deferred exploration costs				
Balance, December 31, 2017	5,330,585	-	76,017	5,406,602
Additions during the year:				
Air support	-	-	11,165	11,165
Analytical	48,775	343	16,555	65,673
Claims maintenance	52,235	25,331	-	77,566
Communication	1,565	-	2,580	4,145
Community engagement	-	-	750	750
Drilling	1,059,237	-	336,041	1,395,278
Engineering	613	-	-	613
Environmental	-	-	596	596
Equipment and supplies	92,730	-	100,758	193,488
Geophysics	51,527	27,759	-	79,286
Permitting	290	-	3,319	3,609
Personnel	237,627	16,621	153,455	407,703
Room and board	57,811	-	27,189	85,000
Travel	10,954	2,792	7,291	21,037
	1,613,364	72,846	659,699	2,345,909
Balance, December 31, 2018	6,943,949	72,846	735,716	7,752,511
B.C. mineral exploration tax credit	-	-	(22,805)	(22,805)
Total, December 31, 2018	**$ 7,338,076**	**$ 107,912**	**$ 861,674**	**$ 8,307,662**

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2017:

	West Desert	PX	Indy	Total
Acquisition costs				
Balance, December 31, 2016	$ 394,127	$ -	$ -	$ 394,127
Additions during the year:				
Cash payments	-	-	30,000	30,000
Shares issued	-	-	48,000	48,000
Staking	-	-	1,280	1,280
	-	-	79,280	79,280
Balance, December 31, 2017	394,127	-	79,280	473,407
Deferred exploration costs				
Balance, December 31, 2016	5,275,540	-	-	5,275,540
Additions during the year:				
Air support	-	-	17,530	17,530
Analytical	531	-	3,452	3,983
Claims maintenance	45,261	-	3,080	48,341
Communication	-	-	303	303
Equipment and supplies	3,669	-	2,271	5,940
Geochemistry	-	-	3,131	3,131
Permitting	373	-	-	373
Personnel	1,320	-	42,084	43,404
Room and board	3,891	-	3,583	7,474
Travel	-	-	583	583
	55,045	-	76,017	131,062
Balance, December 31, 2017	5,330,585	-	76,017	5,406,602
Total, December 31, 2017	$ 5,724,712	$ -	$ 155,297	$ 5,880,009

Reclamation deposits

The Company has reclamation deposits of $129,287 (2017- $119,048) to cover potential disturbances on West Desert and has reclamation deposits of $40,000 (2017- $Nil) to cover potential disturbances on Indy.

(Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		December 31, 2018		December 31, 2017
Trade payables	**$**	**58,221**	$	131,762
Accrued liabilities		**26,000**		20,000
Due to related parties		**2,627**		35,316
	$	**86,848**	$	187,078

9. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

Issued share capital

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

i. 200,000 common shares, valued at $29,000, pursuant to the Indy option agreement (Note 7).

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

i. 34,980,000 units at a price of $0.10 per unit by way of a private placement for total proceeds of $3,498,000. Each unit was comprised of one common share and one-half of one share purchase warrant, which will entitle the holder of each whole warrant to acquire an additional common share of the Company at a price of $0.15 per common share, for a period of 24 months from the date of issue. The Company paid a total of $256,351 in cash for finders' and legal fees and issued 1,825,600 warrants, valued at $153,241. The agents' warrants have the same terms as the warrants issued in the private placement;
ii. 200,000 common shares, valued at $48,000, pursuant to the Indy option agreement (Note 7); and
iii. 850,000 common shares, for proceeds of $85,000, pursuant to the exercise of stock options.

Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the year ended December 31, 2018, the Company granted 200,000 (2017 - 3,780,000) incentive stock options to directors, officers, and consultants, with various vesting provisions. During the year ended December 31, 2018, the Company expensed $160,179 (2017 - $270,774), which was recorded in share-based compensation.

The weighted average fair value of stock options granted during the year ended December 31, 2018 was $0.153 (2017 - $0.097) per option.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options (cont'd…)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Risk-free interest rate	**1.96%**	1.33%
Expected option life (years)	**3.0**	3.5
Expected stock price volatility	**117%**	124%
Expected forfeiture rate	**-**	-

Option transactions are summarized as follows:

	Number of options	**Weighted average exercise price**
Balance - December 31, 2016	5,350,000	$ 0.096
Granted	3,780,000	0.129
Exercised	(850,000)	0.100
Expired	(1,350,000)	0.100
Balance - December 31, 2017	6,930,000	$ 0.113
Granted	200,000	0.220
Balance - December 31, 2018	7,130,000	$ 0.116
Exercisable - December 31, 2018	7,030,000	$ 0.114

Options outstanding as at December 31, 2018 are as follows:

Number of options	**Exercise price**	**Expiry date**	**Contractual life remaining (years)**
1,500,000	$ 0.135	May 31, 2020	1.42
1,300,000	0.13	December 20, 2020	1.97
200,000	0.22	January 30, 2021	2.08
2,650,000	0.09	May 31, 2021	2.42
500,000	0.11	June 21, 2021	2.47
980,000	0.12	October 11, 2022	3.78
7,130,000			2.31[1]

[1] weighted average

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants

The fair value of finders' warrants issued was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Risk-free interest rate	-	1.58%
Expected option life (years)	-	2
Expected stock price volatility	-	118%
Expected forfeiture rate	-	-

Warrant transactions are summarized as follows:

	Number of warrants	**Weighted average exercise price**
Balance - December 31, 2016	4,513,700	$ 0.30
Issued	19,315,600	0.15
Expired	(4,513,700)	0.30
Balance - December 31, 2018 and 2017	19,315,600	$ 0.15

Warrants outstanding as at December 31, 2018 are as follows:

Number of warrants	**Exercise price**	**Expiry date**	**Contractual life remaining (years)**
17,177,100	$ 0.15	December 14, 2019	0.95
2,138,500	0.15	December 20, 2020	0.97
19,315,600			0.96[1]

[1] weighted average

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its directors and officers. The Company entered into the following transactions with related parties:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Office and miscellaneous	**$ 18,000**	$ 36,000
Professional fees	**30,000**	32,000
Share-based compensation	**61,520**	232,900
	$ 109,520	$ 300,900

At December 31, 2018, included in rent is $1,694 (2017 - $9,000) paid or accrued to a company formerly related by the chief financial officer.

At December 31, 2018, included in accounts payable and accrued liabilities are amounts owing to related parties of $2,627 (2017 - $35,316).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31, 2018, the Company's significant non-cash transactions consisted of:

i. shares issued for acquisition of exploration and evaluation assets of $29,000;
ii. change in fair market value of marketable securities of $895; and
iii. exploration and evaluation assets recorded in accounts payable and accrued liabilities of $46,685.

For the year ended December 31, 2017, the Company's significant non-cash transactions consisted of:

i. shares issued for acquisition of exploration and evaluation assets of $48,000;
ii. change in fair market value of marketable securities of $209;
iii. allocation of reserves on exercise of options of $68,000;
iv. allocation of expired options from reserves to deficit of $108,000;
v. fair value of warrants issued as finders' fee of $153,241;
vi. exploration and evaluation assets recorded in accounts payable and accrued liabilities of $8,438; and
vii. share issue costs recorded in accounts payable and accrued liabilities of $92,906.

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and are all located as follows:

December 31, 2018	United States	Canada	Total
Exploration and evaluation assets	$ 7,445,988	$ 861,674	$ 8,307,662

December 31, 2017	United States	Canada	Total
Exploration and evaluation assets	$ 5,724,712	$ 155,297	$ 5,880,009

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposits, and accounts payable and accrued liabilities approximates their carrying values.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency, and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are due primarily from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2018.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. A 10% change in foreign exchange rates would result in a nominal difference for the year ended December 31, 2018.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels 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 restrictions.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2018.

(Expressed in Canadian dollars)

15. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Loss for the year before income tax	**$ (462,460)**	$ (600,585)
Expected income tax recovery	**(125,000)**	(156,000)
Change in statutory and foreign taxes, foreign exchange rates, and other	**(309,000)**	798,000
Permanent differences	**46,000**	73,000
Share issue cost	**(1,000)**	(67,000)
Adjustment to prior year provision vs tax authority assessment	**(23,000)**	-
Change in unrecognized deductible temporary differences	**412,000**	(648,000)
Total income tax (recovery)	**$ -**	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2018	2017
Deferred tax assets:		
Exploration and evaluation assets	**$ 1,764,000**	$ 1,438,000
Property and equipment	**30,000**	30,000
Share issue costs	**42,000**	61,000
Non-capital losses available for future period	**1,279,000**	1,174,000
	3,115,000	2,703,000
Unrecognized deferred tax assets	**(3,115,000)**	(2,703,000)
	$ -	$ -

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of approximately $4,746,000 available to offset against taxable income in future years, which if unutilized will expire through 2038 and share issue costs of approximately $157,000 available to offset against taxable income in future years, which if unutilized will expire through 2022. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $6,949,000 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company:

i. issued 300,000 common shares and paid $25,000 pursuant to the Indy option agreement; and
ii. signed a term sheet with Ash-ley Woods LLC (“Ash-ley”), a private limited liability company, for Ash-ley to earn a 35% interest in PX by completing an initial drill program.