NuLegacy Gold
CORPORATION

Consolidated Financial Statements

For the year ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NuLegacy Gold Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NuLegacy Gold Corporation, which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NuLegacy Gold Corporation as at March 31, 2019 and March 31, 2018 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of NuLegacy Gold Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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. 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 NuLegacy Gold Corporation'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 NuLegacy Gold Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NuLegacy Gold Corporation'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 NuLegacy Gold Corporation’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 NuLegacy Gold Corporation’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 NuLegacy Gold Corporation to cease to continue as a going concern.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Brad J. Waddell.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
July 25, 2019

NULEGACY GOLD CORPORATION
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note		March 31, 2019		March 31, 2018
Assets					
Current assets					
Cash and cash equivalents		$	2,611,261	$	7,340,701
Receivables			22,421		69,357
Prepaid expenses	8		182,260		148,149
Available for sale financial assets	3		82,924		362,036
			2,898,866		7,920,243
Non-current assets					
Deposits	4		399,454		373,941
Fixed assets	5		179,920		265,724
Exploration and evaluation assets	6		25,897,431		20,588,020
		$	**29,375,671**	$	**29,147,928**
Liabilities and Shareholders' Equity					
Current liabilities					
Trade and other payables	7,8	$	230,479	$	118,613
Shareholders' equity					
Share capital	9		41,588,790		39,590,192
Warrants reserve	9		6,941,973		6,337,122
Share options reserve	9		6,757,480		5,756,923
Revaluation reserve			(3,216,548)		(2,957,287)
Accumulated deficit			(22,926,503)		(19,697,635)
			29,145,192		29,029,315
		$	**29,375,671**	$	**29,147,928**

Corporate Information and Nature of Operations (Note 1)
Subsequent Events (Note 15)

Approved by the Board of Directors on July 25, 2019

Alex Davidson — Director

Albert Matter — Director

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

NULEGACY GOLD CORPORATION
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note		Year ended March 31, 2019		2018
Operating expenses					
Consulting		$	**206,015**	$	71,309
Depreciation	5		**105,639**		95,857
Directors' fees			**80,000**		90,005
Insurance			**43,302**		39,342
Investor relations			**323,822**		249,924
Management fees	8		**635,200**		586,801
Office	8		**488,045**		404,981
Professional fees	8		**115,446**		118,592
Regulatory and transfer agent			**90,593**		77,605
Rent			**134,450**		131,830
Share based payments	8,9		**1,019,527**		1,542,013
Travel and accomodation			**209,073**		280,785
		$	**3,451,112**	$	3,689,044
Other items					
Foreign exchange gain (loss)			**170,929**		(454,295)
Interest income			**51,315**		87,492
			222,244		(366,803)
Net loss for the year		$	**(3,228,868)**	$	(4,055,847)
Other comprehensive loss					
Net change in fair value of available for sale financial assets	3		**(259,261)**		14,882
Comprehensive loss for the year		$	**(3,488,129)**	$	(4,040,965)
Basic and diluted loss per share					
Net loss for the year		$	**(0.01)**	$	(0.01)
Comprehensive loss for the year		$	**(0.01)**	$	(0.01)
Weighted average common shares outstanding			**302,665,912**		293,532,592

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

NULEGACY GOLD CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended,		
		2019		2018
Operating activities				
Net loss for the year	$	**(3,228,868)**	$	(4,055,847)
Items not affecting cash and cash equivalents				
Depreciation		**105,639**		95,857
Share based payments		**1,019,527**		1,542,013
Unrealized foreign exchange gains (losses)		**19,851**		(26,482)
Changes in non-cash working capital				
Receivables		**46,936**		(8,600)
Prepaid expenses		**(34,111)**		(35,420)
Trade and other payables		**28,387**		(24,484)
Total cash outflows from operating activities	$	**(2,042,639)**	$	(2,512,963)
Financing activities				
Proceeds from issuance of common shares	$	**2,590,242**	$	-
Share issuance costs		**(58,263)**		-
Proceeds from exercise of warrants		**-**		34,200
Proceeds from exercise of stock options		**52,500**		86,250
Total cash inflows from financing activities	$	**2,584,479**	$	120,450
Investing activities				
Purchase equipment and vehicles	$	**(19,835)**	$	(180,808)
Deposits		**(25,513)**		(23,696)
Exploration and evaluation asset expenditures		**(5,225,932)**		(5,743,005)
Total cash outflows from investing activities		**(5,271,280)**		(5,947,509)
Net change in cash and cash equivalents	$	**(4,729,440)**	$	(8,340,022)
Cash and cash equivalents, beginning of year		**7,340,701**		15,680,723
Cash and cash equivalents, end of year	$	**2,611,261**	$	7,340,701
Other non-cash items				
Change in fair market value of available for sale financial assets	$	**259,261**	$	14,882
Warrants issued in private placement		**598,062**		-
Warrants issued as finders' fee		**6,789**		-
Exploration and evaluation assets in trade and other payables		**83,479**		34,733
Transfer to share capital on exercise of stock options		**18,970**		67,600
Transfer to share capital on exercise of warrants		**-**		6,170
Supplementary disclosures:				
Interest received	$	**82,699**	$	103,220
Cash		**2,611,261**		2,505,451
Cash equivalents		**-**		4,835,250
	$	**2,611,261**	$	7,340,701

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

NULEGACY GOLD CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Warrants reserve	Share options reserve	Revaluation reserve	Accumulated deficit	Total
Balance, March 31, 2017		293,039,096	$ 39,395,972	$ 6,343,292	$ 4,282,510	$ (2,972,169)	$ (15,641,788)	$ 31,407,817
Shares issued, exercise of stock options	9	575,000	153,850	-	(67,600)	-	-	86,250
Shares issued, exercise of warrants	9	171,000	40,370	(6,170)	-	-	-	34,200
Share based payments	9	-	-	-	1,542,013	-	-	1,542,013
Comprehensive loss for the year		-	-	-	-	14,882	(4,055,847)	(4,040,965)
Balance, March 31, 2018		293,785,096	$ 39,590,192	$ 6,337,122	$ 5,756,923	$ (2,957,287)	$ (19,697,635)	$ 29,029,315
Shares issued, private placement	9	13,038,708	2,590,242	-	-	-	-	2,590,242
Share issuance costs, private placement	9	-	(65,052)	6,789	-	-	-	(58,263)
Shares purchase warrants, private placement	9	-	(598,062)	598,062	-	-	-	-
Shares issued, exercise of stock options	9	350,000	71,470	-	(18,970)	-	-	52,500
Share based payments	9	-	-	-	1,019,527	-	-	1,019,527
Comprehensive loss for the year		-	-	-	-	(259,261)	(3,228,868)	(3,488,129)
Balance, March 31, 2019		307,173,804	$ 41,588,790	$ 6,941,973	$ 6,757,480	$ (3,216,548)	$ (22,926,503)	$ 29,145,192

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

1. Corporate Information and Nature of Operations

Corporate Information

NuLegacy Gold Corporation (the "Company") is a publicly listed entity on the TSX Venture Exchange (the "Exchange") and incorporated under the laws of the Province of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral properties. Its principal mineral property interests are located in Nevada, USA.

The head office, principal address, and records office of the Company are located at 1055 West Hastings Street, Suite 300, Vancouver, British Columbia, Canada, V6E 2E9.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's mineral property interests are located outside of Canada and are subject to the risks associated with foreign investment, including increases in taxes and royalties, renegotiations of contracts, currency exchange fluctuations and political uncertainty. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Nature of 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 commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur. The Company believes they have sufficient working capital to maintain operations for the next 12 months.

2. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

The consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company adopted IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which became effective January 1, 2018. Note 14 discloses the effects of the adoption of these new IFRS pronouncements for all periods presented, including the nature and effect of changes in accounting policies.

These consolidated financial statements, including the comparative amounts, were approved and authorized for issue by the Audit Committee and Board of Directors on July 25, 2019.

2. Significant Accounting Policies (continued)

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss and available for sale that have been measured at fair value at the reporting date. The consolidated financial statements are presented in Canadian dollars, unless otherwise indicated.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, NuLegacy Gold N.V., which was incorporated in Nevada, USA. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company balances and transactions, including any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. The reporting currency of the Company is also the Canadian dollar.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined.

Financial instruments

The following financial instruments accounting policies have been applied as at April 1, 2018 on adoption of IFRS 9 and for the year ended March 31, 2019. For the year ended March 31, 2018, the Company applied financial instruments policies aligned with IAS 39, Financial Instruments Recognition and Measurement ("IAS 39"). Note 14 outlines the policy changes required to the Company's IAS 39 polices to meet the IFRS 9 requirements, effective April 1, 2018.

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

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. Cash and cash equivalents are classified as subsequently measured at amortized cost.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Trade receivables

These receivables are non-interest bearing and are recognized at face amount, except when fair value is materially different and are subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

Deposits

Deposits are classified as subsequently measured at amortized cost.

Investments in marketable equity securities

Investments in marketable equity securities are classified, at the Company's election, as subsequently measured at FVTOCI. For new investments in marketable equity securities, the Company can elect the same classification as subsequently measured at FVTOCI, or it can elect to classify an investment as at FVTPL. This election can be made on an investment-by-investment basis and is irrevocable. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the statement of financial position date.

When investments in marketable equity securities are disposed of, the cumulative gains and losses recognized in other comprehensive income (loss) are not recycled to profit or loss and remain within equity. Dividends are recognized in profit or loss and these investments are not assessed for impairment.

Trade payables

Trade payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Expected credit losses

For trade receivables, the Company applies the simplified approach to determining expected credit losses, which requires expected lifetime losses to be recognized upon initial recognition of the receivables.

Impairment

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

Equity

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. Significant Accounting Policies (continued)

Mineral exploration, evaluation and development expenditure

(i) Pre-license costs:
Pre-license costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation costs:
Once the legal right to explore has been acquired, exploration and evaluation expenditure are charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors. In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a resource has not yet been established are expensed as incurred until sufficient evaluation has occurred in order to establish a resource. Costs expensed during this phase are included in 'exploration expenditure' in profit or loss.

Upon the establishment of a resource (at which point, the Company considers it probable that economic benefits will be realized), the Company capitalizes any further evaluation costs incurred for the particular licence to exploration and evaluation assets up to the point when a reserve is established. Once reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction'. No amortization is charged during the exploration and evaluation phase.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation for fixed assets is calculated using the straight line method over the following expected useful lives:

- Computer equipment 2 years
- Vehicles 5 years
- Leasehold improvements 5 years
- Equipment 5 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash

2. Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

Share based payments

The Company's share purchase option plan allows Company directors, officers, employees and service providers to acquire shares of the Company. The fair value of share purchase options granted to employees (which includes directors and officers and service providers that meet the definition of an employee) is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

For options granted to non-employees, the fair value of the services is measured at the date the services are rendered which could consist of multiple measurement dates.

Income taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

2. Significant Accounting Policies (continued)

Income taxes (continued)

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

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive loss and cumulative translation adjustments are presented in the consolidated statements of comprehensive loss and the consolidated statements of changes in equity.

Warrants

Share issuances during the year that include a warrant have been bifurcated into a share and warrant component for accounting purposes. The unit price is allocated to common shares and warrants based on their relative fair values. The fair value of common shares is the market price on the date of issue and the fair value of warrants is determined using the Black-Scholes Option Pricing Model. Because the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. The warrant component is recorded as a separate line item in equity and is reclassified to share capital when exercised.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share based compensation and income taxes.

Critical judgments exercised in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

2. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

(a) Economic recoverability and probability of future economic benefits of exploration and evaluation assets:

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(a) Valuation of share based payments and warrants:

The Company uses the Black-Scholes Option Pricing Model for valuation of share based compensation and for the valuation of warrants. 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 share option reserves.

(b) Recovery of deferred tax assets:

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Standards issued or amended but not yet effective:
A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended March 31, 2019 and have not been applied in preparing these consolidated financial statements. The Company is currently considering the possible effects of the new standard which will be effective to the Company's consolidated financial statements for the year ending March 31, 2020 or later:

- IFRS 16, Leases ("IFRS 16"), eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 is effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase "right-of-use" assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Standards issued or amended but not yet effective: (continued)

expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

The Company will apply IFRS 16 as at April 1, 2019 using a cumulative catch-up approach where leases will be recorded prospectively from that date forward and will not restate comparative information. Right-of-use assets will be recorded based on the lease liabilities determined as at April 1, 2019 and, as a result, there will not be a deficit adjustment on transition.

3. Available for Sale Financial Assets

In March 2014, the Company completed a share exchange financing transaction with Global Resources Investment Ltd. (“GRIT”), a U.K. based public company which trades on the London Stock Exchange (“LSE”), whereby the Company issued 20,000,000 common shares at a price of $0.16 per share ($3,200,000) in return for 1,731,200 GRIT common shares at a deemed issue price of £1.00 per share, equivalent to $3,210,510 on the transaction date. In July 2017, the Company exchanged its 1,731,200 GRIT common shares with another Company for 1,904,320 GRIT common shares.

The fair value of GRIT common shares as at March 31, 2019 was $82,924 (2018 – $362,036). During the year ended March 31, 2019, the Company recorded a revaluation reserve loss on the investment of $259,261 (2018 – gain of $14,882) and an unrealized foreign exchange loss of $19,851 (2018 – gain $26,482).

There is a 3% finder’s fee payable on the net proceeds from the future sale of the GRIT shares.

4. Deposits

		March 31, 2019		March 31, 2018
Credit card collateral	$	62,310	$	61,231
Reclamation bonds		328,799		304,365
Security deposits		8,345		8,345
	$	399,454	$	373,941

(Expressed in Canadian dollars)

5. Fixed Assets

		Computers		Vehicles		Equipment		Leasehold Improvements		Total
Cost										
As at March 31, 2017	$	135,442	$	130,324	$	-	$	-	$	265,766
Additions		59,398		27,808		64,093		29,509		180,808
As at March 31, 2018		194,840		158,132		64,093		29,509		446,574
Additions		19,715		-		-		-		19,715
As at March 31, 2019	$	214,555	$	158,132	$	64,093	$	29,509	$	466,289
Accumulated depreciation										
As at March 31, 2017	$	73,960	$	11,033	$	-	$	-	$	84,993
Charge for the year		51,487		31,163		8,781		4,426		95,857
As at March 31, 2018		125,447		42,196		8,781		4,426		180,850
Charge for the year		55,171		31,627		12,819		5,902		105,519
As at March 31, 2019	$	180,618	$	73,823	$	21,600	$	10,328	$	286,369
Net book value										
As at March 31, 2018	$	69,393	$	115,936	$	55,312	$	25,083	$	265,724
As at March 31, 2019	$	33,937	$	84,309	$	42,493	$	19,181	$	179,920

6. Exploration and Evaluation Assets

		Red Hill Properties						
		Iceberg Property		Wilson Property		Coal Canyon		Total
Balance March 31, 2017	$	13,381,071	$	1,429,211	$	-	$	14,810,282
Assays		402,242		-		-		402,242
Drilling		2,891,769		-		-		2,891,769
Geological consulting and salaries		1,598,376		46,126		-		1,644,502
Geophysics		258,433		-		-		258,433
Miscellaneous		83,891		-		-		83,891
Property maintenance		198,217		119,305		-		317,522
Travel and vehicle		178,052		1,327		-		179,379
Total Additions	$	5,610,980	$	166,758	$	-	$	5,777,738
Balance March 31, 2018	$	18,992,051	$	1,595,969	$	-	$	20,588,020
Acquisition		-		20,250		-		20,250
Assays		365,812		-		-		365,812
Drilling		2,703,737		-		-		2,703,737
Geological consulting and salaries		1,422,180		-		-		1,422,180
Geophysics		137,177		-		-		137,177
Miscellaneous		111,033		-		-		111,033
Property maintenance		169,770		104,660		21,380		295,810
Travel and vehicle		253,412		-		-		253,412
Total Additions	$	5,163,121	$	124,910	$	21,380	$	5,309,411
Balance March 31, 2019	$	**24,155,172**	$	**1,720,879**	$	**21,380**	$	**25,897,431**

6. Exploration and Evaluation Assets (continued)

Eureka County, Nevada

Iceberg Property
On September 16, 2010 (later amended on August 23, 2012), the Company entered into an exploration agreement with a joint venture election and option to purchase from Barrick Gold Exploration Inc. ("Barrick") a 70% undivided interest in 818 unpatented mining claims in the Iceberg Property located in Eureka County, Nevada, U.S.A. Under the amended agreement, the Company had to incur a minimum of US$5,000,000 in exploration or development expenditures on the Iceberg Property (inclusive of maintenance fees) by December 31, 2015. In September 2015, the Company completed this US$5,000,000 expenditure requirement and earned its 70% undivided interest in the property.

In February 2016, the Company entered into an exchange agreement with Barrick to acquire their 30% interest in the property. Pursuant to the terms of the exchange agreement, the Company issued 32,000,000 common shares to Barrick and granted a 2% net profits interest royalty from commercial production on the property. As a result of this transaction, the Company increased its working interest in the Iceberg Property to 100%.

Wilson Property
On October 18, 2010, the Company entered into a mining lease ("Lease") with Idaho Resources Corp. ("Idaho"), in which Idaho granted to the Company exclusive possession and control to explore, develop, mine and operate on the Idaho Property, which consists of 482 unpatented mining claims.

On November 7, 2012 (later amended in January 2016), the Company entered into a restated mining lease whereby future requirements for exploration expenditures were eliminated. In order to maintain the Lease, the Company had to make the following annual advance royalty payments:

- $75,000 of annual payments and issue 200,000 shares prior to execution of the restated mining lease (paid and issued);
- $25,000 payment and issue 100,000 shares on January 1, 2014 and January 1, 2015 (paid and issued); and
- $12,500 payment on January 1st, April 1st, July 1st and October 1st of all succeeding years (paid for the 2017 calendar year).

On July 9, 2017, the Company amended the agreement with Idaho. The quarterly payments of $12,500 due each year have been replaced with one annual payment of $15,000 due on January 1 of each year commencing on January 1, 2018 (paid). The amendment also includes a minimum exploration or development expenditure requirement of $150,000 each calendar year commencing in 2018 and in all succeeding calendar years until commercial production commences.

After an initial term of 10 years, the Lease will continue in full force and effect provided that the Company continues to maintain the property in good standing and make the requisite annual cash payments to Idaho. Upon commencement of commercial production, the annual cash payments will convert to an overriding royalty of 3% of the applicable royalty base on all gold, silver and other ores/metals from the property.

Coal Canyon
Sixty-four lode mining claims (5.1 km^2) contiguous to the western margin of the Vio area were staked the first of September 2018 to control a highly prospective area. This brings the Red Hill land holding to a total of 108 km^2. The Coal Canyon claims contain both Carlin-type and epithermal-type targets.

(Expressed in Canadian dollars)

7. Trade and Other Payables

		March 31, 2019		March 31, 2018
Trade payables and accruals	$	188,205	$	112,206
Related party payables		42,274		6,407
	$	230,479	$	118,613

8. Related Party Transactions

During the year ended March 31, 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these consolidated financial statements:

- Paid or incurred professional fees of $62,910 (2018 - $56,342) and share issuance costs of $26,545 (2018 - $ Nil) to a company controlled by an officer of the Company. As at March 31, 2019, $11,867 (2018 - $6,407) was included in trade and other payables owing to this company for accrued professional fees.

As at March 31, 2019, $30,407 (2018 - $ Nil) was included in trade and other payables for accrued directors' fees owing to an independent director of the Company.

All related party amounts were incurred in the normal course of operations, bear no interest and have no fixed terms of repayment.

Summary of key management personnel compensation:

	Year ended March 31,			
		2019		2018
Exploration and evaluation assets	$	11,760	$	169,808
Consulting		189,427		-
Management fees		625,200		585,300
Office		29,700		36,974
Professional fees		62,910		56,342
Share issuance costs		26,545		-
Share based payments		342,754		682,158
	$	1,288,296	$	1,530,582

9. Share Capital and Reserves

Authorized Share Capital - Unlimited common shares without par value

Issued Share Capital

	Shares		Share capital - gross		Share issue costs		Share capital - net
Balance, March 31, 2017	293,039,096	$	40,914,041	$	1,518,069	$	39,395,972
Exercise of warrants	171,000		40,370		-		40,370
Exercise of options	575,000		153,850		-		153,850
Balance, March 31, 2018	293,785,096	$	41,108,261	$	1,518,069	$	39,590,192
Private placement	13,038,708		1,992,180		65,052		1,927,128
Exercise of stock options	350,000		71,470		-		71,470
Balance, March 31, 2019	307,173,804	$	43,171,911	$	1,583,121	$	41,588,790

(Expressed in Canadian dollars)

9. Share Capital and Reserves (continued)

Authorized Share Capital - Unlimited common shares without par value (continued)

Issued Share Capital (continued)

i. In July and August 2018, the Company closed two tranches of a private placement for 8,709,800 and 3,978,908 units respectively at $0.20 per unit for gross proceeds of $2,537,742. Each unit consisted of one common share and one full share purchase warrant, with each warrant entitling the holder to purchase one additional common share for a period, subject to acceleration, of 24 months at an exercise price of $0.30. The fair value attributable to these share purchase warrants were $598,062. Finders' fees of $17,260 were paid and 86,300 finders' warrants (valued at $6,789) were issued in connection with the closing of this private placement. The finders' warrants entitle the holder to purchase one additional common share for a period, subject to acceleration, of 24 months at an exercise price of $0.20. In addition, the Company also incurred share issue costs of $39,268.

ii. In March 2019, Company closed a private placement for 350,000 common shares at $0.15 per share for gross proceeds of $52,500. The Company incurred share issue costs of $1,735 in connection with this private placement.

iii. During the year ended March 31, 2019, a total of 350,000 stock options were exercised at $0.15 for gross proceeds of $52,500. As a result, the Company transferred $18,970 from share option reserve to share capital.

iv. During the year ended March 31, 2018, a total of 171,000 warrants were exercised at $0.20 for gross proceeds of $34,200. As a result, the Company transferred $6,170 from warrants reserves to share capital.

v. During the year ended March 31, 2018, a total of 575,000 stock options were exercised at $0.15 for gross proceeds of $86,250. As a result, the Company transferred $67,600 from share option reserve to share capital.

Warrants

A summary of the warrant activities is as follows:

	Number of warrants		Weighted average exercise price
Balance, March 31, 2017	31,434,720	$	0.51
Exercised	(171,000)		0.20
Expired	(21,091,903)		0.44
Balance, March 31, 2018	10,171,817	$	0.51
Issued	12,775,008		0.30
Expired	(10,171,817)		0.51
Balance, March 31, 2019	**12,775,008**	**$**	**0.30**

The following share purchase warrants were outstanding as at March 31, 2019:

Expiry date	Number of warrants	Exercise price ($)	Remaining contractual life (years)
July 19, 2020	8,709,800	0.30	1.30
July 19, 2020	72,500	0.20	1.30
August 13, 2020	3,978,908	0.30	1.37
August 13, 2020	13,800	0.20	1.37
	12,775,008	**0.30**	**1.33**

The weighted average life of warrants outstanding at March 31, 2019 is 1.33 years.

9. Share Capital and Reserves (continued)

Stock Options

The Company has a fixed stock-based compensation plan (the “Plan”) providing for the grant of stock options to purchase a maximum of 45,000,000 common shares to eligible recipients.

During the year ended March 31, 2019:

a. In May 2019, the Company granted 750,000 stock options exercisable at $0.20 per share to a director of the Company. The fair value attributable to these stock options was $93,592 using the Black Scholes option pricing model of which $67,015 was expensed during the year.

b. In June 2019, the Company granted 600,000 stock options exercisable at $0.20 per share to employees and consultants of the Company. The fair value attributable to these stock options was $87,908 using the Black Scholes option pricing model of which $62,039 was expensed during the year.

c. In September 2019, the Company granted 650,000 stock options exercisable at $0.20 per share to a director of the Company. The fair value attributable to these stock options was $94,188 using the Black Scholes option pricing model of which $51,151 was expensed during the year.

d. During the year ended March 31, 2019, 4,900,000 stock options expired.

During the year ended March 31, 2018:

e. In April 2017, the Company granted 200,000 stock options exercisable at $0.325 per share to an employee of the Company. The fair value attributable to these stock options was $47,170 using the Black Scholes option pricing model of which $15,990 was expensed during the year.

f. In May 2017, 450,000 stock options expired.

g. In June 2017, the Company granted 350,000 stock options exercisable at $0.325 per share to an employee and a consultant of the Company. The fair value attributable to these stock options was $72,627 using the Black Scholes option pricing model of which $43,666 was expensed during the year. Also, 850,000 stock options were cancelled during the month.

h. In August 2017, the Company granted 100,000 stock options exercisable at $0.25 per share to an employee of the Company. The fair value attributable to these stock options was $19,679 using the Black Scholes option pricing model of which $13,886 was expensed during the year.

i. In September 2017, the Company granted 9,255,000 stock options exercisable at $0.235 per share to employees, directors and consultants of the Company. The fair value attributable to these stock options was $1,542,500 using the Black Scholes option pricing model of which $971,695 was expensed during the year.

j. In November 2017, the Company granted 500,000 stock options exercisable at $0.235 per share to employees of the Company. The fair value attributable to these stock options was $108,374 using the Black Scholes option pricing model of which $36,785 was expensed during the year. Also, 50,000 stock options expired during the month.

k. In February 2018, the Company granted 250,000 stock options exercisable at $0.20 per share to a consultant of the Company. The fair value attributable to these stock options was $54,635 using the Black Scholes option pricing model of which $14,482 was expensed during the year

l. In March 2018, 2,400,000 stock options expired.

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with assumptions for grants as follows:

(Expressed in Canadian dollars)

9. Share Capital and Reserves (continued)

Stock Options (continued)

	Year ended March 31,	
	2019	**2018**
Risk-free interest rate	2.04%	0.95% to 2.06%
Expected life	5.0	5.0
Annualized volatility	99.29% to 101.17%	109.38% to 111.77%
Dividend rate	-	-
Grant date fair value	$0.125 to $0.147	$0.185 to $0.236

A summary of the stock options activities is as follows:

	Number of options		Weighted average exercise price
Balance, March 31, 2017	25,695,000	$	0.22
Granted	10,655,000		0.24
Forfeited	(1,600,000)		0.37
Exercised	(575,000)		0.15
Expired	(2,400,000)		0.20
Balance, March 31, 2018	31,775,000	$	0.22
Granted	2,000,000		0.20
Forfeited	(200,000)		0.30
Exercised	(350,000)		0.15
Expired	(4,700,000)		0.16
Balance, March 31, 2019	**28,525,000**	**$**	**0.21**

(Expressed in Canadian dollars)

9. Share Capital and Reserves (continued)

Stock Options (continued)

The following table summarizes information about the options outstanding and exercisable at March 31, 2019:

Expiry date	Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)
September 15, 2019	1,150,000	1,150,000	0.15	0.46
September 29, 2019	250,000	250,000	0.15	0.50
October 14, 2019	50,000	50,000	0.15	0.54
April 2, 2020	4,350,000	4,350,000	0.15	1.01
April 2, 2020	75,000	75,000	0.15	1.01
November 16, 2020	3,275,000	3,275,000	0.15	1.63
February 24, 2021	325,000	325,000	0.15	1.91
June 6, 2021	700,000	700,000	0.30	2.19
July 18, 2021	400,000	400,000	0.31	2.30
September 1, 2021	300,000	300,000	0.27	2.42
September 21, 2021	535,000	535,000	0.40	2.48
November 20, 2021	750,000	500,000	0.325	2.63
November 23, 2021	2,710,000	2,710,000	0.325	2.65
January 24, 2022	750,000	500,000	0.325	2.82
February 15, 2022	150,000	100,000	0.325	2.88
March 15, 2022	150,000	100,000	0.325	2.96
April 4, 2022	200,000	-	0.325	3.01
June 1, 2022	350,000	204,167	0.325	3.17
August 16, 2022	100,000	100,000	0.250	3.38
September 23, 2022	9,205,000	6,136,667	0.235	3.46
November 18, 2022	500,000	208,333	0.235	3.64
February 12, 2023	250,000	125,000	0.20	3.87
May 8, 2023	750,000	250,000	0.200	4.11
June 1, 2023	600,000	200,000	0.200	4.17
September 1, 2023	650,000	216,667	0.20	4.42
	28,525,000	**22,760,834**		

The weighted average life of stock options outstanding at March 31, 2019 is 2.56 years.

Loss per share

The effect of dilutive securities including options and warrants has not been shown as the effect of all such securities is anti-dilutive.

10. Segmented Information

Operating segment:
The Company operated in one operating segment, which is mineral exploration in the United States.

Geographic segments:
The Company operates in two geographic segments: Canada and the United States.

(Expressed in Canadian dollars)

10. Segmented Information (continued)

		March 31, 2019		March 31, 2018
Non-current assets				
Canada	$	90,077	$	102,252
United States		26,386,728		21,125,433
	$	26,476,805	$	21,227,685

11. Financial Instruments and Risk Management

Fair values

The Company has the following financial instruments carried at fair value:

			Fair Value		
Financial Assets	**Financial instrument classification**		**March 31, 2019**		**March 31, 2018**
Cash and cash equivalents	Amortized cost	$	2,611,261	$	7,340,701
GRIT common shares	FVTOCI		82,924		362,036
		$	**2,694,185**	$	**7,702,737**

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs have a significant effect on the recorded fair value that are not observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial instruments measured at fair value use level 1 valuation techniques in each period, being the closing bid price of the shares as quoted on a public exchange, or, where not quoted, as determined by the share of fair values of the underlying net assets of the investee.

The following table summarizes the classification of the Company's financial instruments within the fair value hierarchy at March 31, 2019:

		Quoted prices in active markets for identical assets (Level 1)		Signficant other observable inputs (Level 2)		Signifcant unobservable inputs (Level 3)		Total
GRIT common shares		82,924		-		-		82,924
	$	82,924	$	-	$	-	$	82,924

The following table summarizes the classification of the Company's financial instruments within the fair value hierarchy at March 31, 2018:

(Expressed in Canadian dollars)

11. Financial Instruments and Risk Management (continued)

Fair value hierarchy (continued)

	Quoted prices in active markets for identical assets (Level 1)	Signficant other observable inputs (Level 2)	Signifcant unobservable inputs (Level 3)	Total
GRIT common shares	362,036	-	-	362,036
	$ 362,036	$ -	$ -	$ 362,036

There were no transfers between levels of the fair value hierarchy during the year.

The aggregate fair value of investments with unrealized losses is:

	Fair Value	Unrealized Gain (Loss)
As at March 31, 2019		
GRIT common share	$ 82,924	$ 279,112
As at March 31, 2018		
GRIT common shares	$ 362,036	$ 41,364

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Other price risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is nominal.

11. Financial Instruments and Risk Management (continued)

Financial Risk Management (continued)

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. Management typically forecasts cash flows for a period of six to twelve months to identify financing requirements. These requirements are then addressed primarily through access to capital markets. All of the Company's financial liabilities mature within one year.

(iii) Interest rate risk:

Interest rate risk is the risk of financial loss to the Company if market rates of interest were to change adversely. The Company's exposure to interest rate risk is not material.

(iv) Foreign currency risk:

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company conducts business outside of Canada. As such, it is subject to risk due to fluctuations in the exchange rates for the United States dollar and Euros. As at March 31, 2019, the Company has cash denominated in US dollars of $1,861,475 (2018 - $5,393,214), deposits in US dollars of $269,052 (2018 - $259,052) and trade and other payables in US dollars of $66,917 (2018 - $62,224). Each 1% change in the Canadian dollar versus the US dollar would result in a gain/loss of approximately USD $20,835 (2018 – USD $55,900).

(v) Other price risk:

Other price risk is the risk that changes in market prices including commodity or equity prices will have an effect on future cash flows associated with financial instruments.

The equity price risk associated with the Company's current available for sale investment primarily relates to the change in the market prices of the investments in the portfolio. As at March 31, 2019, the Company owned 1,904,320 (2018 – 1,904,320) GRIT common shares with each common share valued at £0.03 or $0.04 (2018 - £0.11 or $0.19). Each £0.01 change in the value per common share will result in a gain/loss of approximately £19,043 or $33,169 (2018 - £19,043 or $34,480).

12. Capital Disclosure and Management

The Company's capital management policy is to maintain a strong, but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of $29,145,192 (2018 - $29,029,315). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional debt financing and adjust its

(Expressed in Canadian dollars)

12. Capital Disclosure and Management (continued)

capital spending to manage current and projected debt levels. The Company is not subject to externally imposed capital requirements other than as noted above.

There were no changes to the Company's approach to capital management during the year ended March 31, 2019.

13. Income Taxes

A reconciliation of the provision for income taxes is as follows:

		March 31, 2019		March 31, 2018
Net loss before income tax	$	(3,228,868)	$	(4,055,847)
Combined effective statutory rate		27%		29%
Expected income tax recovery at statutory tax rates	$	(857,593)	$	(1,191,566)
Non-deductible expenses and other items		(247,300)		870,356
Unrecognized benefit of non-capital losses		1,104,893		321,210
Income tax recovery	$	-	$	-

The Company's deferred tax assets and liabilities are:

		March 31, 2019		March 31, 2018
Share issuance costs	$	253,837	$	322,990
Equipment		97,956		144,472
Exploration and evaluation assets		(15,009,244)		(8,348,454)
Tax loss carry-forwards		20,985,596		14,345,199
Total unrecognized deferred tax assets	$	6,328,145	$	6,464,207

At March 31, 2019, the Company has Canadian unrecognized losses for income tax purposes of approximately $10,207,000 (2018 - $7,509,000) and US$8,066,000 (2018 – US$5,519,000) which may be used to offset taxable incomes of future years. If unused, these losses will expire as follows:

	Canadian$	US$
2029	280,000	-
2030	465,000	-
2031	240,000	-
2032	1,088,000	127,000
2033	1,178,000	3,446,000
2034	743,000	52,000
2035	567,000	-
2036	279,000	983,000
2037	1,661,000	781,000
2038	1,694,000	1,411,000
2039	2,012,000	1,266,000
	10,207,000	8,066,000

In assessing the Company's ability to utilize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon

13. Income Taxes (continued)

the generation of future taxable income during the periods in which those temporary differences are or become deductible or during the periods before expiry of the loss carry forwards. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which tax assets are deductible, management currently believes it is probable that the benefits of the deferred tax assets will not be realized.

14. Adoption of New IFRS Pronouncements

The Company has adopted the new IFRS pronouncements listed below as at April 1, 2018, in accordance with the transitional provisions outlined in the respective standards and described below. The adoption of these new IFRS pronouncements has not resulted in any adjustments to previously reported figures as outlined below.

Financial Instruments

Overview of Changes in IFRS

The Company adopted IFRS 9 on April 1, 2018 in accordance with the transitional provisions of the standard, with the exception of the hedging provisions.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss.

However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss and comprehensive loss, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity. Components of both financial and non-financial items are now eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship.

Classification and Measurement Changes

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

(Expressed in Canadian dollars)

14. Adoption of New IFRS Pronouncements (continued)

Measurement Category

	2018 (IAS 39)	2019 (IFRS 9)
Financial Assets:		
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Marketable equity securities	Available-for-sale	Fair value through other comprehensive income
Financial Liabilities:		
Trade payables	Amortized cost	Amortized cost

There has been no change in the carrying value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

<u>Expected credit losses</u>

Credit risk arises from cash, trade receivables and deposits. While the Company is exposed to credit losses due to the non-performance of its counterparties, management does not consider this to be a material risk.

Under IAS 39 an incurred loss model was applied. For trade receivables under IFRS 9, the simplified approach is applied for determining expected credit losses. This requires the lifetime expected losses to be determined for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required.

Revenue from Contracts with Customers

Overview of Changes in IFRS

The Company adopted IFRS 15 on April 1, 2018 in accordance with the transitional provisions of the standard.

The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

15. Subsequent Events

a. On June 1, 2019, the Company entered into an office rental agreement that expires May 31, 2020. The agreement requires monthly rental payments of $7,645. The agreement may be terminated by the Company or the landlord by giving at least 2 calendar months plus 5 business days written notice at the end of the term to the other party or paying equivalent rent in leu of proper notice. This agreement was amended on June 24, 2019 due to the reduction in the office space leased. The updated monthly rental payment is $4,845.