



## **ORFORD MINING CORPORATION**

### **AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended December 31, 2018 and 2017

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## *Independent auditor's report*

To the Shareholders of Orford Mining Corporation

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orford Mining Corporation and its subsidiaries (together, the Corporation) 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 as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

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### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Material uncertainty related to going concern*

We draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.  
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1  
T: +1 514 205 5000, F: +1 514 876 1502

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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### *Other information*

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

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

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

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.

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### *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 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 the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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### *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 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 the 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 the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation 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 Frédéric Lepage.

*PricewaterhouseCoopers LLP<sup>1</sup>*

Montréal, Quebec  
April 15, 2019

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A123475

# Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	December 31, 2018	December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 762,564	\$ 3,350,668
Amounts receivable	282,133	149,461
Prepaid expenses	1,858	258,739
Tax credits receivable	45,943	135,886
	<b>1,092,498</b>	<b>3,894,754</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 4)	263,392	294,350
Mineral property interests (note 5)	8,400,183	4,082,804
<b>Total assets</b>	<b>\$ 9,756,073</b>	<b>\$ 8,271,908</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,004,717	\$ 1,109,248
<b>Non-current liabilities</b>		
Other liability	244,144	382,651
Asset retirement obligation (note 9)	498,486	495,511
Deferred tax liability (note 10)	1,030,069	462,314
<b>Total liabilities</b>	<b>2,777,416</b>	<b>2,449,724</b>
<b>Equity</b>		
Share capital (note 6)	21,475,941	18,325,715
Contributed surplus & reserves	4,069,380	3,406,694
Deficit	(18,566,664)	(15,910,225)
<b>Total equity</b>	<b>6,978,657</b>	<b>5,822,184</b>
<b>Total equity and liabilities</b>	<b>\$ 9,756,073</b>	<b>\$ 8,271,908</b>

Going concern (note 1)

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

Signed on behalf of the Board of Directors:

/s/ Mark Selby

Mark Selby, Chair

/s/ Lawrence Smith

Lawrence Smith, Audit Committee Chair

# Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31,	2018	2017 (note 1)
<b>Expenses</b>		
Depreciation	\$ -	\$ 67,772
Exploration and evaluation (note 5)	679,871	4,850,228
Share-based payments	276,918	292,186
Professional fees	184,131	590,466
Listing expense	-	491,066
Management services	354,211	178,858
Public company expenses	63,018	63,999
Investor relations	118,737	31,517
Directors' fees	128,549	11,500
Business development	-	66,413
Office and general	217,817	31,302
Operating loss	2,023,252	6,675,307
Finance and other expense (note 3)	515,655	16,298
Loss before income tax	2,538,907	6,691,605
Deferred income tax expense (recovery) (note 10)	117,532	(601,160)
<b>Net loss and comprehensive loss</b>	<b>\$ 2,656,439</b>	<b>\$ 6,090,445</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.05</b>	<b>\$ 0.20</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>52,337,363</b>	<b>30,533,042</b>

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



# Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended December 31,	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (2,656,439)	\$ (6,090,445)
Depreciation expense	-	67,772
Accretion - asset retirement obligations	2,975	2,958
Listing expense	-	491,066
Share-based payments	276,918	292,186
Loss on revaluation of marketable securities	507,661	-
Exploration and evaluation expense settled in common shares	28,080	-
Deferred income tax expense (recovery)	117,532	(601,160)
Changes in non-cash working capital		
Amounts receivable	(128,650)	(128,998)
Prepaid expenses	285,550	(250,521)
Tax credits receivable	-	45,754
Accounts payable and accrued liabilities	69,687	263,929
	<b>(1,496,686)</b>	<b>(5,907,459)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral property interests	(3,883,017)	(267,896)
Addition to property, plant and equipment	(48,521)	-
Proceeds on sale of marketable securities	92,975	-
Cash acquired on acquisition of subsidiary (note 3)	644,323	384,015
	<b>(3,194,240)</b>	<b>116,119</b>
<b>FINANCING ACTIVITIES</b>		
Share capital, net of issuance costs	2,102,822	8,302,380
	<b>2,102,822</b>	<b>8,302,380</b>
Change in cash and cash equivalents	<b>(2,588,104)</b>	2,511,040
Cash and cash equivalents, beginning of year	<b>3,350,668</b>	839,628
Cash and cash equivalents, end of year	<b>\$ 762,564</b>	<b>\$ 3,350,668</b>
Components of cash and cash equivalents		
Cash	<b>\$ 746,841</b>	<b>\$ 2,930,364</b>
Cash equivalents	<b>15,723</b>	<b>420,304</b>
	<b>\$ 762,564</b>	<b>\$ 3,350,668</b>
Interest received	<b>\$ 15,177</b>	<b>\$ 1,737</b>

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

# Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
<b>Balance as at January 1, 2018</b>	46,148,650	\$ 18,325,715	\$ 3,406,694	\$(15,910,225)	\$ 5,822,184
Common shares issued, net (note 6)	9,405,086	1,731,175	62,029	-	1,793,204
Shares issued for consulting services	625,775	216,396	-	-	216,396
Share-based payments	-	-	541,857	-	541,857
Acquisition of Condor (note 3)	5,034,697	1,202,655	58,800	-	1,261,455
Net loss and comprehensive loss for the period	-	-	-	(2,656,439)	(2,656,439)
<b>Balance as at December 31, 2018</b>	<b>61,214,208</b>	<b>\$ 21,475,941</b>	<b>\$ 4,069,380</b>	<b>\$(18,566,664)</b>	<b>\$ 6,978,657</b>

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance as at January 1, 2017	28,000,002	\$ 11,046,731	\$ 2,245,672	\$( 9,819,780)	\$ 3,472,623
Private placements - flow-through shares - July 2017	5,272,726	2,627,200	-	-	2,627,200
Private placement - flow-through shares - December 2017	5,240,088	1,807,830	-	-	1,807,830
Issuance of shares as part of the reverse takeover transaction	1,602,561	801,282	-	-	801,282
Private placements as part of the reverse takeover transaction	6,033,273	3,016,636	-	-	3,016,636
Issue costs - common shares	-	(371,391)	-	-	(371,391)
Issue costs - flow-through shares	-	(602,573)	-	-	(602,573)
Warrants issued	-	-	799,350	-	799,350
Issue costs - warrants	-	-	(51,710)	-	(51,710)
Share-based payments	-	-	351,214	-	351,214
Stock options issued pursuant to RTO	-	-	62,168	-	62,168
Net loss and comprehensive loss for the period	-	-	-	(6,090,445)	(6,090,445)
Balance as at December 31, 2017	46,148,650	\$ 18,325,715	\$ 3,406,694	\$(15,910,225)	\$ 5,822,184

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

# Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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Orford Mining Corporation ("**Orford**") is incorporated under the Business Corporations Act (Ontario) and its registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

Reference is made to Note 3 of the December 31, 2017 financial statements regarding a reverse takeover ("RTO") effective October 23, 2017. The Consolidated Statements of Comprehensive Loss for 2017 reflect the predecessor RTO corporations and post-RTO Orford and, as such, is not readily comparable to 2018.

Following the RTO, Orford's common shares were listed on the TSX Venture Exchange and began trading on October 27, 2017 under the ticker symbol "ORM".

The consolidated financial statements of the Corporation as at and for the years ended December 31, 2018 and 2017 comprise the accounts of Orford and its wholly-owned subsidiary, Condor Precious Metals Inc. ("**Condor**"), which was acquired on July 30, 2018 (note 3). Collectively, these entities are referred to as the ("**Corporation**").

The Corporation is a mineral resource company primarily focused on the acquisition, exploration and evaluation of base and precious metal assets. The business of mining and exploring for minerals involves a high degree of risk, and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon several factors including, but not limited to, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete further exploration and evaluation or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write-downs of the carrying values of mineral property interests and property, plant and equipment.

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Corporation had working capital of \$87,871 and an accumulated deficit of \$18,566,664 as at December 31, 2018 and incurred a loss of \$2,656,439 for the year ended December 31, 2018. Working capital included cash and cash equivalents of \$762,564. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Corporation's ability to continue future operations and fund its operations is dependent on management's ability to secure additional financing in the future, which may be completed in a number

of ways including, but not limited to, the issuance of equity instruments, expenditure reductions, or a combination of strategic partnerships, joint venture arrangements, royalty financing and other capital market alternatives. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

## **2. BASIS OF PRESENTATION AND ADOPTION OF NEW ACCOUNTING PRINCIPLES**

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### ***Basis of preparation***

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

The financial statements were authorized for publication by the Board of Directors on April 15, 2019.

### ***Basis of measurement***

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to 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***

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Corporation operates (the "**functional currency**"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

### ***Foreign Currency Translation of Transactions***

In preparing the consolidated financial statements, transactions in currencies other than the Corporation'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. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of comprehensive loss within foreign exchange.

### ***Mineral property interest***

The Corporation is in the exploration and evaluation stage with respect to investments in mineral properties and follows the practice of expensing all costs relating to the acquisition, exploration, and evaluation of mineral claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. Capitalization of exploration and evaluation expenditures commences when a 43-101 technical report has been published for an area of interest.

The Corporation recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

### ***Property, plant and equipment***

Property, plant and equipment ("**PPE**") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE 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. Repairs and maintenance costs are charged to the consolidated statement of comprehensive loss during the period in which they are incurred. Depreciation is recognized based on the cost of an item of PPE, less its estimated residual value, over its estimated useful life at the following rate:

Detail	Method
Camp and field costs	Straight-line over 5 years

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized 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 in the consolidated statement of comprehensive loss.

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

#### ***Impairment of non-financial assets***

Mineral property interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

#### ***Flow-through shares***

The Corporation may finance some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in

common shares and the amount the investors pay for the shares (the “premium”) is recognized as another liability, which is reversed as a deferred tax recovery when eligible expenditures have been made.

### ***Financial instruments***

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **Financial assets**

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; or
- measured subsequently at fair value (either through other comprehensive loss, or through net loss).

#### **i) Financial assets measured at amortized cost**

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **ii) Financial assets measured at fair value**

A financial asset shall be measured at fair value through net loss unless it is measured at amortized cost or at fair value through other comprehensive loss.

A financial asset shall be measured at fair value through other comprehensive loss if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive loss, in which case, gains and losses will never be reclassified to net loss, and no impairment may be recognized in net loss. Dividends earned from such investments are recognized in net loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

### Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

### Derivatives

Derivatives are initially recognized at fair value when the Corporation becomes a party to the derivative contract and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statement of comprehensive loss immediately unless the derivative is designated and effective as a hedging instrument. Derivatives with positive fair value are recognized as assets; derivatives with negative fair value are recognized as liabilities. Contracts to buy or sell non-financial items that meet the definition of a derivative but were entered into and are held in accordance with the Corporation's expected purchase, sale or usage requirements are not recognized as derivatives. Such contracts would be recorded as executory purchases and sales contracts.

For financial liabilities, the Corporation considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in a financial liability are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit and loss ("**FVTPL**").

### Financial instruments – Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and;
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

### Impairment of financial assets

The Corporation assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and through other comprehensive income (loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Such assessment exists if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in



economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. An external rating of investment grade is considered to indicate that a financial instrument may be considered as having low credit risk.

#### Accounts receivable

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables (including other receivables), which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand and high interest savings accounts with monthly distribution of interest, which can be withdrawn at any time without any penalty.

#### ***Provisions and contingent liabilities***

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources by the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

#### ***Restoration, rehabilitation and environmental obligations***

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted each period for the unwinding of the discount rate, and if required, for changes to the current market-based discount rate, amount and timing of the underlying cash flows needed to settle the obligation. The Corporation also records a corresponding asset amount which is amortized over the remaining service life of the asset.

#### ***Income taxes***

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### ***Loss per share***

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares, if any.

### ***Share capital and warrants***

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period that the transaction occurs.

### ***Share-based payment transactions***

The fair value of share options granted is recognized as an expense, or capitalized to mineral property interests, over the vesting period with a corresponding increase in contributed surplus. 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 the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### ***Refundable tax credits for mining exploration expenses***

The Corporation is entitled to a refundable tax credit on eligible mining exploration expenses incurred in the province of Quebec. The tax credit is accounted for against the related exploration and evaluation expenses incurred in mineral property interests.

### ***Segment disclosures***

The Corporation currently operates in a single segment - the acquisition, exploration, evaluation and development of mineral properties. As at December 31, 2018 and for the year then ended, all of the

Corporation's activities are conducted in Quebec, Canada with the exception of exploration and evaluation expenses incurred in South Carolina, United States of America, which are described in note 5.

***Significant judgments in applying accounting policies and key sources of estimation uncertainty***

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

(i) Impairment of non-financial assets

The estimate of recoverable amounts with respect to non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Corporation's financial position and results of operations. Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. As the Corporation's projects are in the exploration and evaluation stage, factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted base and precious metal prices.

(ii) Income taxes and refundable tax credits

The Corporation is subject to income and mining taxes. Significant judgment is required in determining the total provision for income taxes. Refundable tax credits for mining exploration expenses for the current and prior periods are measured at the amount expected to be recovered, based on management's best estimate and judgment, from the tax authorities as at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties refundable for losses and refundable tax credits for eligible exploration expenses, and the amount and timing of collection. The determination of whether expenditures qualify for exploration tax credits requires significant judgment involving complex technical matters which makes the ultimate tax collection uncertain. As a result, there can be a material difference between the actual tax credits received following final resolution of these uncertain interpretation matters with the relevant tax authority and the

recorded amount of tax credits. This difference would necessitate an adjustment to tax credits for mining exploration expenses in future periods. The resolution of issues with the relevant tax authority can be lengthy. As a result, there can be a significant delay in collecting tax credits for mining exploration expenses. Tax credits for mining exploration expenses that are expected to be recovered beyond one year are classified as non-current assets. The amounts recognized in the consolidated financial statements are derived from the Corporation's best estimation and judgment as described above. However, the inherent uncertainty regarding the ultimate approval by the relevant tax authority means that the ultimate amount collected in tax credits and timing thereof could differ materially from the accounting estimates and therefore impact the Corporation's consolidated statements of financial position and cash flows.

(iii) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital and exploration, evaluation, development and acquisition activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(iv) Provision for asset retirement obligation

The Corporation's exploration activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

### ***New accounting standard adopted in 2018***

#### *IFRS 9, Financial Instruments*

On January 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*, which replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or financial liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. Under IFRS 9, equity instruments are classified as financial instruments carried at fair value, with changes in fair value recorded in the consolidated statement of comprehensive loss unless such financial instruments are not held for trading, in which case, the financial instrument may be irrevocably designated as fair value through other comprehensive loss on initial recognition without subsequent reclassification to net loss.

The following table summarizes the classification and measurement changes for the Corporation's financial assets and financial liabilities during 2018:

<b>Financial assets</b>	<b>Classification under IAS 39</b>	<b>IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>	<b>Classification under IAS 39</b>	<b>IFRS 9</b>
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Corporation adopted the standard using the retrospective approach without restating comparative figures. The implementation of IFRS 9 did not result in any significant changes to the measurement of the Corporation's financial instruments.

The Corporation was required to revise its impairment methodology for financial assets recorded at amortized cost to reflect IFRS 9's expected loss model instead of IAS 39's incurred loss model. On the date of initial application, there was no impact on the carrying value of these financial assets following the revision of the impairment methodology.

### ***Recent accounting pronouncements not yet adopted***

#### ***IFRS 16 – Leases***

In January 2016, the IASB issued IFRS 16, *Leases*. This new standard replaces IAS 17, *Leases*, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of "low-value" assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires more extensive disclosures than under IAS 17.

The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Corporation plans to adopt IFRS 16 using the simplified transition approach, which means it will apply the standard from January 1, 2019, the cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will

not be restated. Right-of-use assets for property leases will be measured on transition as if the new standard had been applied since the respective leases' commencement date but using the Corporation's incremental borrowing rate on January 1, 2019. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any related prepaid or accrued amounts).

Management has reviewed all of the Corporation's leasing arrangements in light of the requirements of IFRS 16. The standard will primarily affect the accounting for the Corporation's operating leases. Based on the work completed to date, the Corporation estimates that the following cumulative impacts will be recorded on the consolidated financial statements, effective January 1, 2019 (based on management's best estimates):

- Increase to PPE of approximately \$40,000 to \$70,000; and
- Increase to lease liabilities of \$45,000 to 75,000.

Overall, the Corporation expects that the adoption of IFRS 16 will have the effect of reducing net loss (increasing net earnings) for 2019 based on the leases in place on December 31, 2018. For the same period, cash used in operating activities will decrease and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

### 3. ACQUISITION OF CONDOR

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On July 30, 2018, the Corporation completed the acquisition of Condor, a private company that holds two royalties on previously owned exploration property in Colombia.

Under the terms of the transaction, Condor shareholders received 0.073 shares of the Corporation for each Condor share, along with a 1/4 share purchase warrant for every share of the Corporation issued at closing. The warrants are exercisable at \$0.29 per Orford share for a two-year period. A total of 5,034,697 Orford common shares and 1,258,652 Orford warrants were issued under this transaction. The warrants were ascribed a fair value of \$58,800 on the transaction date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; share price of \$0.16, expected volatility of 83.5%; risk free rate of return of 1.2%; and expected maturity of two years from the date of grant.

The acquisition of Condor is a related party transaction. Orford's President & CEO was a director of Condor prior to the acquisition of the company. Also, a company associated with Dundee Resources Ltd. ("**Dundee**"), that was also an Orford shareholder at the time of the transaction, owned 27% of Condor prior to Orford acquiring it.

The acquisition of Condor did not meet the definition of a business combination under IFRS 3, *Business Combinations*, and is accordingly accounted for as an asset acquisition. The total purchase price was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration paid on the closing date of the transaction.

The purchase price was calculated as follows:

**Consideration paid**

5,034,697 common shares issued to Condor's shareholders	\$1,202,655
1,258,652 warrants issued	58,800
	<u>\$1,261,455</u>

The net assets acquired are as follows:

Cash	\$644,323
Marketable securities <sup>1</sup>	600,636
Accounts receivable	4,022
Prepaid expenses	28,669
Accounts payable and accrued liabilities	(16,195)
	<u>\$1,261,455</u>

- At December 31, 2018, the Corporation held marketable securities in Red Eagle Mining ("Red Eagle"), a company publicly-listed on the Toronto Stock Exchange ("TSX") under the trading symbol "R." At the time of the acquisition, Red Eagle shares had a market value of \$0.18 per common share. On November 9, 2018, Red Eagle announced that it had received a Notice of Default from its principal lender for defaulting on a US\$60 million loan. Red Eagle's common shares last traded at \$0.015 per share on November 9, 2018, immediately before its shares were halted from trading on the TSX. As at December 31, 2018, the trading of Red Eagle shares has not resumed. The Corporation recognized a loss of \$507,661 on the Red Eagle shares during the year ended December 31, 2018 as part of finance and other expenses in the statement of comprehensive loss.

#### 4. PROPERTY, PLANT AND EQUIPMENT

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	<b>Camp and Field Costs</b>
Balance as at January 1, 2018	\$ 294,350
Additions	48,521
Depreciation expense capitalized to mineral properties interest	(79,479)
<b>Balance as at December 31, 2018</b>	<b>\$ 263,392</b>
<b>As at December 31, 2018</b>	
Cost	\$ 986,932
Accumulated depreciation	(723,540)
<b>Net book value</b>	<b>\$ 263,392</b>
Balance as at January 1, 2017	\$ 356,949
Additions	10,342
Depreciation expense	(67,772)
Depreciation expense capitalized to mineral properties interest	(5,169)
<b>Balance as at December 31, 2017</b>	<b>\$ 294,350</b>
<b>As at December 31, 2017</b>	
Cost	\$ 938,411
Accumulated depreciation	(644,061)
<b>Net book value</b>	<b>\$ 294,350</b>

## 5. MINERAL PROPERTY INTERESTS AND EXPLORATION AND EVALUATION EXPENDITURES

The following table summarizes capitalized costs in respect of properties which have filed an NI 43-101 compliant technical report:

	West Raglan	Qiqavik	Total
<b>Balance as at January 1, 2018</b>	\$ 3,812,497	\$ 270,307	\$ 4,082,804
Environment, community & permitting	-	67,738	67,738
Exploration	-	3,484,410	3,484,410
Property acquisition & maintenance	134,649	196,220	330,869
Share-based payments	-	264,940	264,940
Depreciation	-	79,479	79,479
Tax credits, net	-	89,943	89,943
<b>Balance, December 31, 2018</b>	<b>\$ 3,947,146</b>	<b>\$ 4,453,037</b>	<b>\$ 8,400,183</b>

	West Raglan	Qiqavik	Total
Balance as at January 1, 2017	\$ 3,761,053	\$ -	\$ 3,761,053
Environment, community & permitting	-	28,667	28,667
Exploration	29,391	151,180	180,571
Property acquisition & maintenance	2,343	26,264	28,607
Share-based payments	-	59,028	59,028
Engineering and technical support	15,427	-	15,427
Depreciation	4,283	886	5,169
Tax credits, net	-	4,282	4,282
Balance, December 31, 2017	\$ 3,812,497	\$ 270,307	\$ 4,082,804

An NI 43-101 technical report was filed for the Qiqavik property on September 14, 2017. An option agreement to earn an interest in the Carolina properties was signed on March 6, 2017. The following tables summarize expenses in respect of properties prior to filing a NI 43-101-compliant technical report:

For the year ended December 31, 2018	Qiqavik	Carolina	Total
Environment, community & permitting	\$ -	\$ -	\$ -
Exploration	-	406,624	406,624
Property acquisition & maintenance	-	273,247	273,247
Quebec refundable tax credits	-	-	-
Exploration and evaluation expenses	\$ -	\$ 679,871	\$ 679,871

For the year ended December 31, 2017	Qiqavik	Carolina	Total
Environment, community & permitting	\$ 75,209	\$ -	\$ 75,209
Exploration	4,334,224	333,481	4,667,705
Property acquisition & maintenance	65,489	181,217	246,706
Quebec refundable tax credits	(139,392)	-	(139,392)
Exploration and evaluation expenses	\$ 4,335,530	\$ 514,698	\$ 4,850,228



## 6. SHARE CAPITAL

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### **Authorized**

Unlimited number of common shares with no par value, voting.

### **Issued and outstanding**

As at December 31, 2018, 61,214,208 common shares were issued and outstanding.

On January 24, 2018, the Corporation issued 1,294,872 units at a price of \$0.39 per unit for gross proceeds of \$505,000. The units comprised one common share and one-half common share purchase warrant with a two-year term and a strike price of \$0.60 per common share with an accelerator if at or greater than \$1.00 for greater than twenty trading days. The common share component was recorded at a value of \$0.34 per common share being the trading value on the date the shares were issued for a total of \$440,256. The value of the warrants was deemed to be the residual amount of \$64,744. A total of \$21,177 in transaction costs were incurred in connection with this private placement which was prorated between the common share and warrant components on a pro rata basis.

On July 13, 2018, the Corporation closed the first tranche of a non-brokered private placement financing through the issuance of 2,845,833 flow-through common shares at an issue price of \$0.24 per flow-through common share for gross proceeds raised of \$683,000.

On August 9, 2018, the Corporation closed the second and final tranche of this financing through a non-brokered private placement which consisted of 1,761,904 common shares of the Corporation at an issue price of \$0.21 per share, for hard-dollar gross proceeds of \$370,000, and 616,700 flow-through common shares of the Corporation at an issue price of \$0.24 per flow-through share, for gross proceeds of \$148,008. In connection with the financing, the Corporation recorded a \$138,501 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. A total of \$64,217 in transaction costs were incurred in connection with this private placement.

On September 27, 2018, the Corporation issued 108,000 common shares to Carolina Gold Resources in settlement of an option payment at an issue price of \$0.26 for value of \$28,080.

On December 28, 2018, the Corporation closed a non-brokered, private placement, which consisted of 2,777,777 flow-through common shares of the Corporation at an issue price of \$0.18 per share, for gross proceeds of \$500,000. In connection with the financing, the Corporation recorded a \$180,299 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. A total of \$36,374 in transaction costs were incurred in connection with this private placement.

During the year ended December 31, 2018, share issue costs totalling \$198,413 were paid in cash with respect to share issue costs which were accrued as at December 31, 2017 for 2017 transactions.

On July 7, 2017, the Corporation issued 3,272,726 flow-through shares at a price of \$0.55 per flow-through share for gross proceeds of \$1,800,000. In connection with the financing, the Corporation recorded a \$172,800 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. A total of \$223,393 in transaction costs were incurred in connection with this private placement.

On July 7, 2017, the Corporation also completed a concurrent private placement of 2,000,000 flow-through units at a price of \$0.825 per flow through unit for gross proceeds of \$1,650,000. Each flow-through unit comprised one flow-through share and one warrant. Each warrant is exercisable to acquire one share at an exercise price of \$0.75 until July 25, 2020. In connection with the financing, the Corporation recorded a \$105,600 flow-through share premium liability based on benchmark pricing. The residual value of \$544,400 was recorded as contributed surplus in respect of the warrants. A total of \$147,162 in transaction costs were incurred in connection with this private placement.

On December 29, 2017, Orford issued 5,240,088 flow-through shares at a price of \$0.45 per flow-through share for gross proceeds of \$2,358,040. A total of \$79,002 in transaction costs were incurred in connection with this private placement. In connection with the financing, the Corporation recorded a \$550,210 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing.

On July 25, 2017, True North Nickel Inc. (“**TNN**”) entered into an Amalgamation Agreement with Focused and its wholly-owned subsidiary (“**Focused Subco**”) pursuant to which Focused Subco and TNN would amalgamate, and Focused would become a subsidiary of the Corporation through the resulting reverse takeover (“**RTO**”). Following the completion of the RTO on October 23, 2017, Focused changed its name to Orford. Prior to closing, Focused had 3,750,000 common shares issued and outstanding. As part of the transaction, a 2.34:1 share consolidation was completed which resulted in 1,602,561 shares issued and outstanding immediately prior to closing. On July 25, 2017, in connection with the Amalgamation Agreement and as a condition for closing, TNN completed a concurrent private placement of subscription receipts for 3,470,000 units at a price of \$0.50 per unit for gross proceeds of \$1,735,000. Each unit comprised one common TNN share and one warrant exercisable to acquire one TNN share at an exercise price of \$0.75 until July 25, 2020. On the same date, TNN also completed a concurrent private placement of subscription receipts for 2,247,473 flow-through units at a price of \$0.55 per flow through unit for gross proceeds of \$1,236,110. Each flow-through unit comprised one TNN flow-through share and one-half warrant. Each whole warrant is exercisable to acquire one TNN share at an exercise price of \$0.75 until July 25, 2020.

On September 15, 2017, in connection with the Amalgamation Agreement and as a condition for closing, TNN completed a second private placement of subscription receipts for 93,000 units and 222,800 flow-through share units on the same terms as the July 25, 2017 private placement for gross proceeds of \$46,500 and \$122,540, respectively.

## **7. SHARE-BASED PAYMENTS**

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At the time of grant or thereafter, the Board of Directors may determine when a share option will vest and become exercisable and may determine that the share option shall be exercisable in instalments on such terms as to vesting or otherwise as the Board of Directors deems advisable subject to the rules of the Toronto Stock Exchange Ventures, if any. Unless otherwise determined by the Board of Directors, share options will vest and become exercisable, as to one third of the share options granted, on each of the date of the grant, the first and second anniversaries of the date of grant, provided that the participant is an eligible employee, eligible director, consultant or other participant at the time of vesting. Under the plan, the expiry date of share options may not exceed ten years from the date of grant.

The following tables reflect the continuity of share options for the years ended December 31, 2018 and 2017.

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2017</b>	3,960,968	\$0.42
Granted	2,475,000	\$0.18
Forfeited	(50,000)	\$0.39
<b>Balance as at December 31, 2018</b>	<b>6,385,968</b>	<b>\$0.32</b>

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2016</b>	-	-
Deemed issue pursuant to the RTO	224,359	\$0.47
Granted pursuant to the RTO	761,609	\$0.50
Granted	2,975,000	\$0.39
<b>Balance as at December 31, 2017</b>	<b>3,960,968</b>	<b>\$0.42</b>

As at December 31, 2018, the Corporation had the following share purchase options outstanding:

Options Outstanding				Options Exercisable		
Exercise Price Range	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$0.18–\$0.50	6,385,968	8.1	\$0.32	3,760,970	7.1	\$0.37

In 2018, 2,475,000 share options were granted to employees and directors on November 26, 2018 and the fair value of each share purchase option granted at the time of the grant was \$0.15. This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	November 26, 2018 Grant
Share price	\$0.18
Exercise price	\$0.18
Risk free interest rate	2.3%
Expected life	8 years
Expected volatility	91%
Expected dividends	nil

In 2017, 2,975,000 share options were granted on November 16, 2017 and 761,609 options were granted on October 23, 2017 pursuant to the RTO and the weighted average fair value of each share purchase option granted during the period, as estimated at the time of the grant, was \$0.30 and \$0.22, respectively. This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	November 16, 2017 Grant	October 23, 2017 Grant
Share price	\$0.39	\$0.50
Exercise price	\$0.39	\$0.50
Risk free interest rate	1.85%	1.21%
Expected life	8 years	2 years
Expected volatility	83%	83%
Expected dividends	Nil	nil

The following tables reflects the continuity of warrants for the year ended December 31, 2018 and 2017:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2018	7,178,940	\$0.75
Granted (notes 3 and 6)	1,906,088	\$0.40
<b>Balance as at December 31, 2018</b>	<b>9,085,028</b>	<b>\$0.68</b>

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2017	-	\$-
Granted pursuant to the RTO	380,804	\$0.75
Granted	6,798,136	\$0.75
<b>Balance as at December 31, 2017</b>	<b>7,178,940</b>	<b>\$0.75</b>

As at December 31, 2018, the remaining average contractual life of the outstanding warrants was 1.5 years.

## 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the Corporation had the following related party transactions with Royal Nickel Corporation ("RNC"), and Dundee Resources Ltd. ("Dundee"), both of which are entities with significant influence over Orford (until June 30, 2018, RNC had control over Orford and, prior to the RTO, TNN, Orford's predecessor for financial reporting purposes):

	For the years ended December 31,			
	2018	2017	2018	2017
	Exploration and Evaluation Expenses		Management Services	
RNC	\$ 501,955	\$ 753,644	\$ 335,387	\$ 81,032
Dundee	-	-	56,000	112,715
Total	\$ 501,955	\$ 753,644	\$ 391,387	\$ 193,747

The executive services agreement with Dundee was terminated effective May 1, 2018.

As at December 31, 2018, \$191,482 was payable to RNC (December 31, 2017 - \$6,579) and \$88,968 was due to Dundee (December 31, 2017 - \$32,968). Both amounts were included in accounts payable and accrued liabilities.

The acquisition of Condor was a related party transaction (see note 3). An officer and director of Orford was also a director of Condor prior to the acquisition. A company associated with Dundee owned 27% of Condor prior to the acquisition.

The following table reflects the remuneration of key management, which consists of the Corporation's directors and executive officers:

Remuneration of key management	Years ended December 31,	
	2018	2017
Management salaries and benefits	\$132,978	\$-
Directors' fees	128,549	11,500
Share-based payments – Management	38,899	23,611
Share-based payments – Directors <sup>1</sup>	419,241	277,429
	\$719,667	\$312,540

<sup>1</sup> Included in share-based payments – Directors is \$149,776 (2017 - \$94,444) which was capitalized to mineral property interests.

An employment agreement between the executive team and the Corporation contain a termination without cause provision. Assuming that all members of the executive team had been terminated without cause on December 31, 2018, the total amounts payable to the executive team in respect of severance would have totaled \$100,000.

## 9. ASSET RETIREMENT OBLIGATION

The asset retirement obligation represents the legal and contractual obligation associated with the eventual closure and reclamation of the Corporation's exploration camp at the West Raglan and Qiqavik projects. The obligation consists of costs associated with reclamation, environmental monitoring, and

the removal of tangible assets. As at December 31, 2018, the carrying value of the asset retirement obligation represents the net present value of the estimated undiscounted cash flows required to settle the environmental obligations, which total \$500,000 (2017 - \$500,000), using an average discount rate of 0.6% (2017 - 0.6%). The settlements of these obligations are estimated to occur in 2022.

	2018	2017
Balance as at January 1	\$ 495,511	\$ 492,553
Accretion expense	2,975	2,958
Balance as at December 31	\$ 498,486	\$ 495,511

## 10. INCOME TAX

The major components of income tax expense are as follows:

	2018	2017
Tax expense applicable to:		
Current Taxes	\$-	\$-
Deferred Taxes		
Income taxes - origination and reversal of temporary differences	477,099	(327,284)
Mining taxes - origination and reversal of temporary differences	567,755	(67,723)
Relating to change in tax rates/imposition of new tax laws	(2,317)	16,608
Relating to unrecognized temporary differences	(474,782)	310,676
Relating to amortization of flow-through share premium	(450,223)	(533,437)
<b>Total tax expense (recovery)</b>	<b>\$117,532</b>	<b>\$(601,160)</b>

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

	2018	2017
Statutory tax rate	26.7%	26.8%
Tax benefit of statutory rate	\$(646,413)	\$(1,793,350)
Non-deductible expenses	73,937	309,710
Tax rate changes	(2,317)	16,608
Tax effect of renounced flow-through share expenditures	947,441	1,092,507
Amortization of flow-through share premiums	(450,223)	(533,437)
Quebec mining duties, net of tax	567,755	(67,723)
Tax effect of unrecognized temporary difference and tax losses	(474,782)	310,676
Other	102,134	63,849
<b>Total tax expense (recovery)</b>	<b>\$117,532</b>	<b>\$(601,160)</b>

The Corporation offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefits of the following temporary differences have been recognized in the consolidated financial statements:

	Balance January 1, 2018	Recognized in Profit and Loss	Balance December 31, 2018
Deferred tax assets/(liabilities):			
Loss carry forward	\$78,003	\$797,226	\$875,229
Property, plant and equipment	(78,003)	8,204	(69,799)
Mining property interests	(462,314)	(1,373,185)	(1,835,499)
Net deferred tax liabilities	\$(462,314)	\$(567,755)	(1,030,069)

	Balance January 1, 2017	Recognized in Profit and Loss	Balance December 31, 2017
Deferred tax assets/(liabilities):			
Loss carry forward	\$68,000	\$10,003	\$78,003
Property, plant and equipment	(94,591)	16,588	(78,003)
Finance cost	26,591	(26,591)	-
Mining property interests	(530,037)	67,723	(462,314)
Net deferred tax liabilities	\$(530,037)	\$67,723	(462,314)

The tax benefits of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements:

	2018	2017
Tax loss carry forwards (Expire 2032–2038) - provincial	<b>\$4,827,777</b>	\$5,170,359
Tax loss carry forwards (Expire 2032–2038) - federal	<b>1,131,663</b>	1,368,440
Finance costs - provincial	<b>749,076</b>	1,642,255
Finance costs - federal	-	434,656
Mineral property interests - provincial	<b>709,414</b>	942,078
Mineral property interests - federal	-	249,340

The Corporation is subject to federal income taxes, provincial income taxes, and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits, and the amount and timing of collection. The Corporation has prepared its tax provision based on the interpretations of tax laws which it believes represent the probable outcome. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

## 11. FINANCIAL RISK – FACTORS

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### ***Financial instruments***

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial exposure risk and its financial policies are as follows:

### ***Credit risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to amounts receivable and cash and cash equivalents. Amounts receivable mainly consists of interest receivable from Canadian chartered banks, goods and services tax due from the federal and Quebec governments, and mining tax credits due from the Quebec government. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal. The Corporation reduces its credit risk by diversifying its cash and cash equivalents investments with major Canadian financial institutions.

### ***Liquidity risk***

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to capital or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. As at December 31, 2018, the Corporation had cash and cash equivalents of \$762,564 to settle current financial liabilities of \$1,004,717. As at December 31, 2018, management estimates that funds available will not be sufficient to meet the Corporation's obligations, exploration programs and expected expenditures through December 31, 2019 (note 1).

### ***Fair value risk***

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity.

## 12. COMMITMENTS AND CONTINGENCIES

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The Corporation entered into flow-through financing agreements with subscribers in 2012 which committed the Corporation to incur Canadian Exploration Expenses ("CEE") before specific deadlines. The Corporation incurred CEE in excess of its commitments within the specified time period.

Uncertainties exist with respect to the interpretation of tax regulations. The determination of whether expenditures qualify for Canadian exploration expenses requires significant judgment involving complex technical matters. There is a risk that the Corporation's historical tax returns could be reassessed resulting in reduced flow-through renunciations to subscribers. In this respect, the Corporation recorded a provision for potential indemnities payable to subscribers, additional tax and interest amounting to \$538,496, which is recorded in accounts payable and accrued liabilities.

The Corporation had one lease with an annual commitment of \$20,658 per annum up to and including 2021 and \$8,608 in 2022.



### 13. SEGMENTED INFORMATION

The Corporation operates in one reportable business segment which is the exploration and evaluation of mineral properties.

### 14. QUARTERLY ADJUSTMENT (UNAUDITED)

The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 reported the Condor acquisition as a business combination. Upon further review of the facts and circumstances, it was determined that the acquisition did not meet the definition of a business under IFRS 3, *Business Combinations*, and should have been instead accounted for as an asset acquisition subject to IFRS 2, *Share-based Payments*. Therefore, the previously recorded gain on acquisition was re-allocated to share capital as the transaction was a share-for-share and warrants exchange transaction (note 3). The effects of the adjustments to the unaudited interim consolidated financial statements are as follows:

Adjustment to unaudited interim consolidated statement of financial position:

	As at September 30, 2018		
	Previously stated	Adjustment	Adjusted
Share capital	\$20,748,930	\$397,104	\$21,146,034
Deficit	(17,442,587)	(397,104)	(17,839,691)
Total equity	7,160,710	-	7,160,710

Adjustment to unaudited interim consolidated statement of comprehensive loss:

	For the three months ended September 30, 2018		
	Previously stated	Adjustment	Adjusted
Expenses			
Exploration and evaluation	\$28,080	\$-	\$28,080
Share-based payments	54,213	-	54,213
Professional fees	79,026	-	79,026
Management services	74,957	-	74,957
Public company expenses	19,667	-	19,667
Investor relations	35,785	-	35,785
Office and general	105,136	-	105,136
	396,864	-	396,864
Finance and other expense (income)	(97,777)	397,104	299,327
Loss before income tax	299,087	397,104	696,191
Deferred income tax expense	(101,815)	-	(101,815)
Net loss and comprehensive loss	\$197,272	\$397,104	\$594,376
Loss per share	\$-		0.01

For the nine months ended September 30, 2018			
	Previously stated	Adjustment	Adjusted
Expenses			
Exploration and evaluation	\$604,039	\$-	\$604,039
Share-based payments	174,832	-	174,832
Professional fees	106,271	-	106,271
Management services	279,793	-	279,793
Public company expenses	52,017	-	52,017
Investor relations	104,163	-	104,163
Office and general	222,250	-	222,250
	1,543,365	-	1,543,365
Finance and other expense (income)	(104,022)	397,104	293,082
Loss before income tax	1,439,343	397,104	1,836,447
Deferred income tax expense	93,019	-	93,019
Net loss and comprehensive loss	\$1,532,362	\$397,104	\$1,929,466
Loss per share	0.03		0.04

There were no changes to the unaudited interim consolidated cash flow statement beyond adjustments to the two affected elements within operating activities.