



**ORFORD MINING CORPORATION**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended December 31, 2019 and 2018



## *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 subsidiary (together, the Corporation) as at December 31, 2019 and 2018, 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, 2019 and 2018;
- 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 events or 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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### *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; and
- 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 16, 2020

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

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# Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	Notes	December 31, 2019	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,042,228	\$ 762,564
Amounts receivable		283,106	282,133
Prepaid expenses		6,746	1,858
Tax credits receivable		45,943	45,943
		<b>1,378,023</b>	<b>1,092,498</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	227,767	263,392
Mineral property interests	5	7,869,265	8,400,183
<b>Total assets</b>		<b>\$ 9,475,055</b>	<b>\$ 9,756,073</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 941,217	\$ 1,004,717
Lease		20,658	-
		<b>961,875</b>	<b>1,004,717</b>
<b>Non-current liabilities</b>			
Other liability		329,239	244,144
Lease		21,003	-
Asset retirement obligation	9	500,000	498,486
Deferred tax liability	10	898,901	1,030,069
<b>Total liabilities</b>		<b>2,711,018</b>	<b>2,777,416</b>
<b>Equity</b>			
Share capital	6	24,743,237	21,475,941
Contributed surplus & reserves		4,451,064	4,069,380
Deficit		(22,430,264)	(18,566,664)
<b>Total equity</b>		<b>6,764,037</b>	<b>6,978,657</b>
<b>Total equity and liabilities</b>		<b>\$ 9,475,055</b>	<b>\$ 9,756,073</b>

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

Going concern (note 1)  
Subsequent event (note 14)

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,	Notes	2019	2018
<b>Expenses</b>			
Exploration and evaluation	5	\$ -	\$ 679,871
Share-based payments		225,376	276,918
Professional fees		119,585	184,131
Management services		262,879	354,211
Public company expenses		38,811	63,018
Investor relations		215,614	118,737
Directors' fees		(51,000)	128,549
Salaries and wages		250,998	132,978
Office and general		96,198	84,839
Impairment loss	5	3,947,146	-
Operating loss		(5,105,607)	(2,023,252)
Finance and other expense		(12,215)	(515,655)
Loss before income tax		(5,117,822)	(2,538,907)
Deferred tax expense (recovery)	10	(1,259,738)	117,532
<b>Net loss and comprehensive loss</b>		<b>\$ (3,858,084)</b>	<b>\$ (2,656,439)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.05)</b>	<b>\$ (0.05)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>		<b>79,963,798</b>	<b>52,337,363</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,	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (3,858,084)	\$ (2,656,439)
Accretion - asset retirement obligation	1,514	2,975
Share-based payments	225,376	276,918
Loss on revaluation of marketable securities	-	507,661
Shares issued for consulting services	63,750	28,080
Deferred tax expense (recovery)	(1,259,738)	117,532
Impairment loss	3,947,146	-
Changes in non-cash working capital		
Amounts receivable	(973)	(128,650)
Prepaid expenses	(4,888)	285,550
Accounts payable and accrued liabilities	(126,556)	69,687
	<b>(1,012,453)</b>	<b>(1,496,686)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral property interests	(3,197,346)	(3,883,017)
Expenditures on property, plant and equipment	(14,434)	(48,521)
Proceeds on sale of marketable securities	-	92,975
Cash acquired on acquisition of subsidiary	-	644,323
	<b>(3,211,780)</b>	<b>(3,194,240)</b>
<b>FINANCING ACTIVITIES</b>		
Share capital, net of issuance costs	4,517,200	2,102,822
Principal portion of lease payments	(13,303)	-
	<b>4,503,897</b>	<b>2,102,822</b>
Change in cash and cash equivalents	279,664	(2,588,104)
Cash and cash equivalents, beginning of period	762,564	3,350,668
Cash and cash equivalents, end of period	\$ 1,042,228	\$ 762,564
Components of cash and cash equivalents		
Cash	\$ 226,501	\$ 746,841
Cash equivalents	815,727	15,723
	<b>\$ 1,042,228</b>	<b>\$ 762,564</b>
Interest paid	\$ -	\$ -

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		Deficit	Total
	Number	Amount	Surplus			
<b>Balance as at January 1, 2019, as reported</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>	
IFRS 16 adjustment	-	-	-	(5,516)	(5,516)	
Balance as at January 1, 2019, as adjusted	61,214,208	21,475,941	4,069,380	(18,572,180)	6,973,141	
Private placement - May 2019	14,764,706	1,463,632	-	-	1,463,632	
Private placement - July 2019	18,641,710	1,739,914	48,392	-	1,788,306	
Shares issued for consulting services	558,058	63,750	-	-	63,750	
Share-based payments	-	-	333,292	-	333,292	
Net loss and comprehensive loss for the period	-	-	-	(3,858,084)	(3,858,084)	
<b>Balance as at December 31, 2019</b>	<b>95,178,682</b>	<b>24,743,237</b>	<b>4,451,064</b>	<b>(22,430,264)</b>	<b>6,764,037</b>	

	Share Capital		Contributed		Deficit	Total
	Number	Amount	Surplus			
Balance as at January 1, 2018	46,148,650	\$ 18,325,715	\$ 3,406,694	\$ (15,910,225)	\$ 5,822,184	
Common shares issued, net	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	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>	

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

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2019 and 2018  
(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. Orford’s common shares are listed on the TSX Venture Exchange under the ticker symbol “ORM”.

The consolidated financial statements of the Corporation comprise the accounts of Orford and its wholly-owned subsidiary, Condor Precious Metals Inc. (“**Condor**”). 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 audited 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 positive working capital of \$416,148 and an accumulated deficit of \$22,430,264 as at December 31, 2019 and incurred a loss of \$3,858,084 for the year ended December 31, 2019. Working capital included cash and cash equivalents of \$1,042,228. 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 Presentation***

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

The consolidated financial statements were authorized for publication by the Board of Directors on April 16, 2020.

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

These consolidated financial statements have been prepared on a historical cost basis. 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 National instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 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.

### **Leases**

As a result of the adoption of IFRS 16, Leases, the accounting policy for leases applied starting from January 1, 2019 is as follows:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Corporation's incremental rate of borrowing is used. The lease liability is subsequently measured to reflect a constant periodic rate of interest on the remaining balance of the lease liability whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation presents right-of-use assets within property, plant and equipment and lease liabilities separately in the consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have

a lease term of twelve months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### ***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).

Currently, all of the Corporation's financial assets are measured at amortized cost.

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

- 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.

#### Financial liabilities

Currently, the Corporation's financial liabilities are subsequently measured at amortized cost using the effective interest rate.

#### 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. 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. An external rating of investment grade is considered to indicate that a financial instrument may be considered as having low credit risk.

The Corporation applies the simplified approach 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 as well as other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalties.

#### ***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 earnings per share if applicable, would be determined by adjusting the earnings 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, 2019 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.

#### ***New accounting standard adopted in 2019***

##### *Overview*

On January 1, 2019, the Corporation adopted IFRS 16, *Leases*. This new standard replaced 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 recognizes 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 are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are 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 generally recognizes 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.

##### ***Adoption***

The Corporation adopted IFRS 16 using the simplified transition approach, which means it applied the standard from January 1, 2019. The impacts of adoption on January 1, 2019 was as follows:

- Increased property, plant and equipment by \$49,448;
- Increased lease liabilities by \$54,964; and
- Increased deficit by \$5,516.

Comparative figures were not restated. Right-of-use assets for property leases were measured on the transition date 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 of 15%. All other right-of-use assets were measured at the amount of the lease liability on adoption.

The following table provides a reconciliation between operating lease commitments as at December 31, 2018 applying IAS 17 and the lease liabilities recognized as at January 1, 2019, applying IFRS 16:

Operating lease commitments as per IAS 17 as at December 31, 2018	\$ 70,582
Adjustment to discount using the Corporation's incremental borrowing rate	(15,618)
Lease liability as at January 1, 2019	\$ 54,964

***Accounting standards effective for future periods***

There are no IFRS or IFRIC interpretations that are not yet in effect that are currently expected to have a material impact on the Corporation.

**3. CRITICAL JUDGEMENTS, ESTIMATES, ASSUMPTIONS AND RISKS**

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.

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Camp and Field Costs	Equipment Right of use	Total
Balance as at January 1, 2019	\$ 263,392	\$ -	\$ 263,392
IFRS 16 transition adjustment	-	49,448	49,448
Additions	14,434	-	14,434
Depreciation expense capitalized to mineral properties interest	(85,034)	(14,473)	(99,507)
<b>Balance as at December 31, 2019</b>	<b>\$ 192,792</b>	<b>\$ 34,975</b>	<b>\$ 227,767</b>
<b>As at December 31, 2019</b>			
Cost	\$ 1,001,366	\$ 72,363	1,073,729
Accumulated depreciation	(808,574)	(37,388)	(845,962)
<b>Net book value</b>	<b>\$ 192,792</b>	<b>\$ 34,975</b>	<b>\$ 227,767</b>
			<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>

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

The following tables summarize capitalized costs in respect of properties which have filed an NI 43-101 compliant technical report for the years ended December 31, 2019 and 2018:

	West Raglan	Qiqavik	Total
<b>Balance as at January 1, 2019</b>	\$ 3,947,146	\$ 4,453,037	\$ 8,400,183
Environment, community & permitting	-	37,211	37,211
Exploration	-	3,096,353	3,096,353
Property acquisition & maintenance	-	75,240	75,240
Share-based payments	-	107,917	107,917
Depreciation	-	99,507	99,507
Impairment loss	(3,947,146)	-	(3,947,146)
<b>Balance as at December 31, 2019</b>	<b>\$ -</b>	<b>\$ 7,869,265</b>	<b>\$ 7,869,265</b>

	West Raglan	Qiqavik	Total
Balance as at January 1, 2018	\$ 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
Engineering and technical support	-	-	-
Depreciation	-	79,479	79,479
Tax credits, net	-	89,943	89,943
Balance, December 31, 2018	\$ 3,947,146	\$ 4,453,037	\$ 8,400,183

The Corporation considers both qualitative and quantitative factors when determining whether an asset may be impaired. In the fourth quarter of 2019 management determined that the West Raglan property may be impaired in light of the following conditions and as such performed an impairment test:

- i) the Corporation has not incurred any costs other than property maintenance on the property since 2017; and
- ii) the Corporation does not currently plan to continue exploration and evaluation activities except through participation with a partner.

West Raglan is a mature nickel sulphide exploration project located in the centre of the Cape Smith Belt in northern Quebec, Canada.

IAS 36, Impairment of Assets, uses a two-step approach to a) identify if an impairment indicator exists and b) to measure an impairment loss, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal (“**FVLCTD**”) (the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, FVLCTD is based on the best information available to estimate what after-tax rate of return a market participant might expect to achieve for an arm’s length acquisition of the property, using estimated cash flows which include future capital expenditures.

As at December 31, 2019, the carrying value of the West Raglan property exceeded its estimated recoverable amount resulting in an impairment charge of \$3,947,146 being recognized in the consolidated statement of comprehensive loss.

The recoverable amount of \$nil as at December 31, 2019 was determined based on the discontinuation of exploration and evaluation activity on the West Raglan property after 2017. As of the issuance date of these consolidated financial statements, the Corporation had no binding offers for the sale or participation in the exploration of the property and will reevaluate the value should a binding offer be executed.

Significant judgments have been used by management and a different conclusion could be reached if a different set of assumptions would have been used potentially increasing the recoverable amount of the West Raglan property.

The following table summarizes expenses incurred in respect of the Carolina properties for which no NI 43-101 compliant technical report has been filed:

<b>For the years ended December 31,</b>	<b>2019</b>	<b>2018</b>
Exploration	\$ -	\$ 406,624
Property acquisition & maintenance	-	273,247
Exploration and evaluation expenses	\$ -	\$ 679,871

## **6. SHARE CAPITAL**

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### **Authorized**

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

### **Issued and outstanding**

On May 17, 2019, the Corporation closed a non-brokered private placement of: (i) 11,764,706 flow-through shares at an issue price of \$0.17 per share, for gross proceeds of \$2,000,000, and (ii) 3,000,000 hard dollar common shares at an issue price of \$0.10 per share with Alamos Gold Inc. (“**Alamos**”), for gross proceeds of \$300,000. Total gross proceeds were \$2,300,000. The financing included a flow-through share premium liability of \$816,368 and issue costs of \$20,000.

On July 5, 2019, the Corporation closed a non-brokered private placement of: (i) 5,457,692 flow-through shares at an issue price of \$0.13 per share, for gross proceeds of \$709,500, (ii) 3,505,645 flow-through shares at an issue price of \$0.17 per share, for gross proceeds of \$595,960 and (iii) 9,678,373 hard dollar units shares at an issue price of \$0.10 per share for gross proceeds of \$967,837. The hard dollar units are comprised of one common share of the Corporation and one-half common share purchase warrant. A total of 4,839,186 warrants were issued. Each warrant is exercisable at a price of \$0.20 per common share for a period of 24 months following the closing date, subject to acceleration in the event that the volume weighted average trading price of the common shares is equal to or greater than \$0.60 for a period of more than 20 consecutive trading days following the date that is four months and one day following the closing date. The total aggregate gross proceeds of the July financings totalled \$2,273,297. The warrants were valued at \$0.01 per warrant for an aggregate value of \$48,392 using the residual method. The financing included a flow-through share premium liability of \$397,298 and issue costs of \$87,693. Royal Nickel Corporation (“RNC”) subscribed for 2,191,090 of the hard dollar units for gross proceeds of \$219,109. Alamos also subscribed for 2,837,283 of the hard dollar units for gross proceeds of \$283,728. After this placement and a third party transaction, RNC held 23.7% and Alamos held 22.2% of the Corporation’s issued and outstanding common shares, respectively.

During the year ended December 31, 2019, 558,058 shares were issued to consultants with a value of \$63,750 which were measured on the basis of the Corporation’s share price on the date of issue.

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.

During the year ended December 31, 2018, 625,775 shares were issued to consultants with a value of \$216,396 which were measured on the basis of the Corporation's share price on the date of issue.

## 7. SHARE-BASED PAYMENTS

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 TSX Venture Exchange, 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, 2019 and 2018.

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2018</b>	6,385,968	\$0.32
Granted	400,000	\$0.09
Expired	(761,609)	\$0.50
<b>Balance as at December 31, 2019</b>	<b>6,024,359</b>	<b>\$0.29</b>

	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>

As at December 31, 2019, 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	
\$0.07–\$0.29	2,875,000	8.9	\$0.17	1,783,334	8.9	\$0.17	
\$0.30–\$0.43	2,925,000	7.8	\$0.39	2,925,000	7.9	\$0.39	
\$0.44–\$0.47	224,359	1.0	\$0.47	224,359	1.0	\$0.47	
	6,024,359	8.2	\$0.29	4,932,693	7.9	\$0.32	

In 2019, a total of 400,000 share options were granted to directors on April 15, 2019 and October 3, 2019 at a fair value of each share purchase option granted at the time of the grant of \$0.11 and \$0.07 respectively. This was calculated using the Black-Scholes option pricing model, using the following assumptions:

	April 13, 2019	October 3, 2019
Number of options	200,000	200,000
Share price	\$0.11	\$0.07
Exercise price	\$0.11	\$0.07
Risk free interest rate	1.6%	1.3%
Expected life	4.9 years	5.2 years
Expected volatility	110%	106%
Expected dividends	nil	nil

	November 26, 2018
Number of options	2,475,000
Share price	\$0.18
Exercise price	\$0.18
Risk free interest rate	2.3%
Expected life	8.0 years
Expected volatility	91%
Expected dividends	nil

The following tables reflects the continuity of warrants for the years ended December 31, 2019 and 2018:

	Note	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2019		9,085,028	\$0.68
Granted	6	4,839,186	\$0.20
<b>Balance as at December 31, 2019</b>		<b>13,924,214</b>	<b>\$0.51</b>

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

As at December 31, 2019, the remaining average contractual life of the outstanding warrants was 0.9 years.

## 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, the Corporation had the following related party transactions with RNC and Dundee Resources Ltd. (“Dundee”), both of which are entities with significant influence over Orford:

For the years ended December 31,	Exploration and Evaluation Expenses		Management Services	
	2019	2018	2019	2018
RNC	\$ 312,568	\$ 501,955	\$ 330,164	\$ 335,387
Dundee	-	-	-	56,000
Total	\$ 312,568	\$ 501,955	\$ 330,164	\$ 391,387

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

As at December 31, 2019, \$69,095 was payable to RNC (December 31, 2018 - \$191,482) and \$88,968 was due to Dundee (December 31, 2018 - \$88,968). Both amounts were included in accounts payable and accrued liabilities.



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

<b>Remuneration of key management</b>	Years ended December 31,	
	<b>2019</b>	<b>2018</b>
Management salaries and benefits	\$ 237,500	\$ 132,978
Directors' fees	(51,000)	128,549
Share-based payments <sup>1</sup> – Management	66,209	38,899
Share-based payments <sup>1</sup> – Directors	182,025	419,241
	<b>\$ 434,734</b>	<b>\$ 719,667</b>

1. Included in share-based payments is \$42,376 (2018 - \$149,776) 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, 2019, 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, 2019, 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 (2018 - \$500,000), using an average discount rate of 0.6% (2018 - 0.6%). The settlement of these obligations are estimated to occur in 2022.

For the years ended December 31,	<b>2019</b>	<b>2018</b>
Opening balance	\$ 498,486	\$ 495,511
Accretion expense	1,514	2,975
Closing balance	<b>\$ 500,000</b>	<b>\$ 498,486</b>

## 10. INCOME TAX

The major components of income tax expense are as follows:

<b>Tax expense applicable to the years ended December 31,</b>	<b>2019</b>	<b>2018</b>
Deferred Taxes		
Income taxes — origination and reversal of temporary differences	\$ (494,842)	\$ 477,099
Mining taxes — origination and reversal of temporary differences	(131,168)	567,755
Relating to change in tax rates/imposition of new tax laws	2,269	(2,317)
Relating to unrecognized temporary differences	492,573	(474,782)
Relating to amortization of flow through share premium	(1,128,570)	(450,223)
<b>Total tax expense (recovery)</b>	<b>\$ (1,259,738)</b>	<b>\$ 117,532</b>

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

Tax expense applicable to the years ended December 31,	2019	2018
Statutory tax rate	26.6%	26.7%
Tax benefit of statutory rate	\$ (1,361,341)	\$ (646,413)
Non-deductible expenses	59,950	73,937
Tax rate changes	2,269	(2,317)
Tax effect of renounced flow through share expenditures	831,874	947,441
Amortization of flow-through share premiums	(1,128,570)	(450,223)
Quebec mining duties	(131,168)	567,755
Tax effect of unrecognized temporary difference and tax losses	492,573	(474,782)
Other	(25,325)	102,134
<b>Total tax expense (recovery)</b>	<b>\$ (1,259,738)</b>	<b>\$ 117,532</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, 2019	Recognized in Net Loss	Balance December 31, 2019
Deferred tax asset (liabilities):			
Loss carryforward	\$ 875,229	\$ (239,639)	\$ 635,590
Property, plant and equipment	(69,799)	37,738	(32,061)
Mining property interests	(1,835,499)	330,719	(1,504,780)
Other	-	2,350	2,350
<b>Net deferred tax liabilities</b>	<b>\$ (1,030,069)</b>	<b>\$ 131,168</b>	<b>\$ (898,901)</b>

	Balance January 1, 2018	Recognized in Net Loss	Balance December 31, 2018
Deferred tax asset (liabilities):			
Loss carryforward	\$ 78,003	\$ 797,226	\$ 875,229
Property, plant and equipment	(78,003)	8,204	(69,799)
Mining property interests	(462,313)	(1,373,186)	(1,835,499)
<b>Net deferred tax liabilities</b>	<b>\$ (462,313)</b>	<b>\$ (567,756)</b>	<b>\$ (1,030,069)</b>

Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized in the statement of financial position are as follows:

	2019	2018
Tax loss carry forwards (Expire 2032–2039) - provincial	\$-	\$4,827,777
Tax loss carry forwards (Expire 2032–2039) - federal	6,240,246	131,663
Finance costs - provincial	-	749,076
Mineral property interests - provincial	-	709,414

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, 2019, the Corporation had cash and cash equivalents of \$1,042,228 to settle current financial liabilities of \$961,875. As at December 31, 2019, management estimates that funds available will not be sufficient to meet the Corporation's obligations, exploration programs and other expected expenditures through December 31, 2020 (note 1).

The following table summarizes the expected maturity of the Corporation's significant financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date:

As at December 31, 2019	Payments by period				Total	Carrying Value
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years		
Accounts payable and accrued liabilities	\$941,217	\$-	\$-	\$-	\$941,217	\$941,217
Lease obligation	20,658	29,266	-	-	49,924	41,661
	\$961,875	\$29,266	\$-	\$-	\$991,141	\$982,878

### **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 \$544,496, which is recorded in accounts payable and accrued liabilities.

### **13. SEGMENTED INFORMATION**

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

### **14. SUBSEQUENT EVENT**

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The first quarter of 2020 was marked by the severity of the coronavirus global outbreak. The extent and duration of impacts that the coronavirus may have on the Corporation's operations including suppliers, service providers, employees and on global financial markets is not known at this time but could be material. The Corporation is monitoring developments in order to be in a position to take appropriate actions as needed.