TEAMWORK. INNOVATION. EXECUTION.

Consolidated Financial Statements
For the years ended December 31, 2018 and December 31, 2017

Independent auditor's report

To the Shareholders of Nevada Copper Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nevada Copper Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

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

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 Company 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.

Comparative information

The financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on March 28, 2018.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

"(signed) PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
March 27, 2019

NEVADA COPPER CORP.

Consolidated Statements of Financial Position
(Expressed in thousands of United States dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	**$108,055**	$385
Accounts receivable	**140**	105
Prepaid expenses	**123**	119
	108,318	609
Restricted cash (note 2e)	**4,453**	971
Deferred share issuance costs	**-**	966
Deferred financing fees (note 4ci)	**-**	8,260
Mineral properties, plant, and equipment (note 3)	**363,224**	251,449
	$475,995	$262,255
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$19,258**	$3,907
Stock-based compensation liabilities (note 7e and 7g)	**212**	1,547
Current portion of long-term debt (note 4)	**28**	70,038
	19,498	75,492
Long term debt (note 4)	**89,759**	113,532
Stream deferral (note 4d)	**72,613**	-
Asset retirement obligation (note 6)	**1,822**	895
	183,692	189,919
Shareholders' Equity		
Share capital (note 7)	**402,802**	161,354
Other equity reserve (note 7)	**29,937**	26,476
Accumulated other comprehensive loss	**(3,578)**	(3,578)
Deficit	**(136,858)**	(111,916)
	292,303	72,336
	$475,995	$262,255

Contractual Obligations (note 8)
Subsequent events (notes 7d, 7h, 8)

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

Approved on behalf of the Board on March 27, 2019:

(Signed) "Matthew Gili", Director **(Signed) "Lucio Genovese", Director**

NEVADA COPPER CORP.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in thousands of United States dollars except per share amounts which are in United States dollars)
Years ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Expenses		
Consulting and remuneration	**$1,820**	$531
Public company expenses	**2,050**	799
Administration expenses	**1,075**	296
Professional fees	**3,067**	2,190
Business development	**57**	208
Accretion expense	**18**	17
Stock-based compensation (note 7d,7e and 7g)	**1,832**	211
	(9,919)	(4,252)
Interest income	**1,734**	9
Interest and finance expenses	**(991)**	(5,544)
Derivative fair value (loss) gain (note 4b,4ciii and 7f)	**(1,751)**	3,197
Other income (expense)	**(516)**	4
Debt extinguishment loss (note 4ciii)	**(7,737)**	-
Foreign exchange loss	**(877)**	(3)
	(10,138)	(2,337)
Net loss and comprehensive loss	**$(20,057)**	$(6,589)
Loss per common share		
Basic and diluted	**$(0.04)**	$ (0.07)
Weighted average number of common shares outstanding	**498,579,148**	91,271,929

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

NEVADA COPPER CORP.

Consolidated Statements of Changes in Equity
(Expressed in thousands of United States dollars)
Years ended December 31, 2018 and December 31, 2017

	Share Capital			Accumulated		
	Number of Shares	Amount	Other Equity Reserve	Other Comprehensive Loss	Deficit	Total
Balances, December 31, 2016	88,168,125	$158,794	$26,519	$(3,578)	$(105,327)	$76,408
Stock-based compensation	-	43	-	-	-	43
Shares issued, net of share issue costs	3,712,121	1,807	(43)	-	-	1,764
Settlement of DSU liability	1,298,236	710	-	-	-	710
Comprehensive loss	-	-	-	-	(6,589)	(6,589)
Balances, December 31, 2017	**93,178,482**	**$161,354**	**$26,476**	**$(3,578)**	**$(111,916)**	**$72.336**

	Share Capital			Accumulated		
	Number of Shares	Amount	Other Equity Reserve	Other Comprehensive Loss	Deficit	Total
Balances, December 31, 2017	93,178,482	$161,354	$26,476	$(3,578)	$(111,916)	$72,336
IFRS 9 adjustment (note 4cii)	-	-	-	-	(4,885)	(4,885)
Warrant revaluation	-	-	(52)	-	-	(52)
Stock-based compensation	-	-	3,513	-	-	3,513
Shares issued (note 7b and 7c)	439,865,408	186,896	-	-	-	186,896
Share issue costs (note 7b and 7c)	-	(13,308)	-	-	-	(13,308)
Convertible debt conversion (note 4b)	95,561,944	52,657	-	-	-	52,657
Long term debt conversion (note 4ciii)	32,885,000	15,000	-	-	-	15,000
Agent warrants exercised (note 7f)	442,750	203	-	-	-	203
Comprehensive loss	-	-	-	-	(20,057)	(20,057)
Balances, December 31, 2018	**661,933,584**	**$402,802**	**$29,937**	**$(3,578)**	**$(136,858)**	**$292,303**

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

NEVADA COPPER CORP.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
Years ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Cash flows used in operating activities		
Loss for the year	**$(20,057)**	$(6,589)
Adjustments for:		
Derivatives fair value change (note 4b and 4ciii)	**1,754**	(3,197)
Debt extinguishment loss (note 4ciii)	**7,737**	-
Interest and finance expenses	**957**	4,856
Stock-based compensation	**1,832**	211
Unrealized foreign exchange loss (gain)	**790**	-
Interest income	**(1,734)**	(9)
Depreciation and accretion expense	**18**	17
	(8,703)	(4,711)
Changes in non-cash working capital items:		
Amounts receivable	**(35)**	(81)
Prepaid expenses	**962**	(967)
Accounts payable and accrued liabilities	**(3,296)**	3,444
Net cash provided by (used in) operating activities	**(11,072)**	(2,315)
Cash flows used in investing activities		
Stream financing (note 4d)	**70,000**	-
Interest received	**1,734**	9
Cash moved to restricted cash, net	**(3,482)**	(228)
Deposits for development costs	**(20,477)**	9
Development costs for mineral properties and purchase of plant and equipment	**(58,994)**	(4,744)
Net cash provided by (used in) investing activities	**(11,219)**	(4,954)
Cash flows from financing activities		
Issuance of common shares	**185,473**	1,807
Long-term debt repayment (note 4ciii)	**(42,035)**	-
Short term debt	**-**	5,000
Pala Bridge Loan draw (repayment) (note 4a)	**(3,500)**	3,500
Share issuance costs incurred	**(8,057)**	-
Transaction costs for debt refinancing (note 4ciii)	**(135)**	(318)
Interest paid	**(995)**	(7,136)
Net cash provided by (used in) financing activities	**130,751**	2,853
Effect of exchange rate changes on cash and equivalents	**(790)**	-
Increase (decrease) in cash and cash equivalents	**107,670**	(4,416)
Cash and cash equivalents, beginning of the year	**385**	4,801
Cash and cash equivalents, end of the year	**$108,055**	$385
Non-cash investing and financing activities:		
Depreciation capitalized in mineral properties, plant, and equipment	**$60**	$53
Convertible debt conversion (note 4b)	**$52,657**	$-
Long term debt conversion (note 4ciii)	**$15,000**	$-
Non-cash share issuance costs – shares issued	**$5,271**	$-
Stock-based compensation included in mineral properties	**$1,405**	$103
Mineral properties, plant, and equipment in accounts payable and accrued liabilities change	**$17,590**	$91
Asset retirement obligation change	**$909**	$80
Accretion on stream deferral (note 4d)	**$2,727**	$-
Interest capitalised in mineral properties, plant and equipment	**$9,494**	$15,975

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

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1. General Information and Nature of Operations:

Nevada Copper Corp. is the parent company of its consolidated group (the "Company" or "Nevada Copper"). The Company was incorporated on June 16, 1999 under the Business Corporations Act (Yukon) and was continued into British Columbia under the Business Corporations Act (British Columbia) on November 16, 2006. Nevada Copper is incorporated and domiciled in Canada, and its registered office is at Suite 598, 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The Company is an exploration and development stage mining company engaged in the identification, acquisition, exploration and development of copper and other mineral properties located in the United States and elsewhere. Its primary focus is the development and construction of the mining project at their Pumpkin Hollow Property (the "Property") in Western Nevada, USA.

2. Significant Accounting Policies:

a) Statement of compliance

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

These consolidated financial statements are presented in United States dollars ("USD"), which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in operations.

These consolidated financial statements were approved for issue by the Board of Directors on March 27, 2019.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Lion Iron Corp. (inactive), 607792 British Columbia Ltd. (inactive) and Nevada Copper, Inc. (formerly "Pumpkin Copper, Inc.") incorporated in Nevada, United States. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All significant intercompany transactions and balances are eliminated on consolidation.

c) Use of judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, along with reported amounts of revenues and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas that require significant estimations or where measurements are uncertain are as follows:

i) Mineral reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 - *Standards for Disclosure of Mineral Projects* (NI 43-101). Reserves are used in the calculation of depreciation, impairment assessment, and for forecasting the timing of payment of mine closure, reclamation, and rehabilitation costs. There are uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs, or recovery rates could have a material impact in the future of the Company's financial position and results of operations.

ii) Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expense reported.

iii) Discount rate of loans

The loans are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounted for at amortised cost using the effective interest rate method.

iv) Provision for reclamation and remediation

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment.

In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

The areas that require significant judgment or where measurements are uncertain are as follows:

i) Mineral properties, plant, and equipment and exploration and evaluation assets

The measurement and impairment of mineral properties, plant and equipment are based on various judgments and estimates. These include the determination of technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves and/or resources, future mineral prices and operating and capital expenditures for the properties.

ii) Impairment review

The evaluation of asset carrying values for indicators of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, budgets, forecasts, and life of mine estimates. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, taxes, restoration costs, and future capital expenditure. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may have an impact on the estimate of recoverable amount of the assets. In such circumstances some or all the carrying value of the assets may be impaired with the impact recorded in profit or loss.

iii) Taxation

Tax provisions are recognised to the extent that it is probable that there will be future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognised to the extent that certain taxable losses or deferred expenditures will be utilised by the Company to reduce future taxes payable. The amount of deferred tax assets recognised, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilise these deferred assets, as well as the expected future tax rates that will apply to these assets.

Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the recognition of deferred tax assets or liabilities.

iv) Modification versus extinguishment of financial liability

Judgment is required in applying IAS 39 and IFRS 9 Financial Instruments: Recognition and Measurement to determine whether the amended terms of the loan agreements are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

v) Functional currency

The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

vi) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

vii) Convertible debt

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

viii) Achievement of Production Phase

Once a mine reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning and consistent operating results being achieved at a pre-determined level of design capacity.

d) Foreign currency translation

The functional currency of the Company and its subsidiaries is the USD. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange at the consolidated statements of financial position date. Non-monetary assets and liabilities are translated at transaction date exchange rates. Revenue and expenses are translated at the exchange rate at the date of the transaction, except depreciation, amortisation, and derivative fair value change which are translated at the rates of exchange applicable to the related assets, and stock-based compensation expense, which is translated at the rates of exchange applicable at the date of grant of the stock-based compensation. Translation gains and losses are included in operations.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less or are fully redeemable without penalty when acquired.

Restricted cash in the amount of 4,453 (2017 - $971) is cash held in trust as collateral for surety bonds related to performance bonds for engineering, procurement and construction contracts and reclamation bonds. These amounts are not currently available for general corporate use.

f) Financial instruments

The following accounting policies reflect the Company's adoption of IFRS 9 effective January 1, 2018. For the year ended December 31, 2017, the Company applied policies based on IAS 39. The effects of the transition from IAS 39 to IFRS 9 are described in the change in accounting policies section of Note 2r.

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

The Company adopted the new accounting standard IFRS 9, Financial Instruments effective January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for 2017 is presented under IAS 39. The change in classification of financial assets is shown in Note 2.5(b), however, there were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI); or Fair Value through Profit or Loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) it is not designated as FVPL. This category of financial assets is subsequently measured at amortized cost using the effective interest method, and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis. Equity investments measured at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise. Financial assets classified as FVPL are subsequently measured at fair value, with net gains and losses, including any interest or dividend income, recognized in profit or loss.

Financial assets at amortized cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include cash and cash equivalents and accounts receivables.

Financial assets at fair value through other comprehensive income (FVOCI)

Marketable securities, investment in subscription receipts and reclamation deposits are designated as FVOCI and recorded at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial instruments at fair value through profit or loss (FVPL)

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVPL. Financial instruments classified as FVPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include derivative financial instruments that the Company acquires to manage exposure to commodity price fluctuations. These instruments are non-hedge derivative instruments.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities and long-term debt under this method.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; \
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification and measurement of financial instruments prior to the adoption of IFRS 9, Financial Instruments on January 1, 2018 is described below:

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include derivative financial instruments that the Company acquires to manage exposure to commodity price fluctuations. These instruments are non-hedge derivative instruments.

Available-for-sale financial assets

Marketable securities, subscription receipts and reclamation deposits are designated as available-for-sale and recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income until the securities are disposed of or when there is evidence of impairment in value. Impairment is evident when there has been a significant or sustained decline in the fair value of the marketable securities. If an impairment in value has been determined, it is recognized in earnings for the period.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include cash and cash equivalents and accounts receivable.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities and long-term debt under this method.

g) Asset retirement obligations and reclamation costs

The Company recognises and records the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and the related asset is amortised using either the unit of production or the straight-line method commencing with commercial production. The liability is also adjusted for the changes to the current market-based discount rate, long term inflation rates, or the amount or timing of the underlying cash flows needed to settle the obligation.

The operations of the Company may be affected from time to time by changes in environmental regulations, including those for future rehabilitation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not entirely predictable. The Company's policy is to meet standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against the statements of operations as incurred or capitalised and amortised depending upon their future economic benefits.

h) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalised as exploration and evaluation assets and classified as a component of mineral properties, plant and equipment. Exploration expenditure relates to the initial search for deposits with economic potential. Expenditures incurred before the Company has obtained legal rights to explore a specific area are expensed.

The recovery of the carrying amount of exploration and evaluation assets is dependent upon the future commercial success of the mineral properties or from proceeds of disposition. The amounts shown for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mineral property development costs within mineral properties, plant and equipment.

i) Mineral properties, plant and equipment

Mineral properties, plant and equipment are stated at cost which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location including development costs for mineral properties transferred from exploration and evaluation assets, an estimate of asset retirement costs, and capitalised borrowing costs.

Amortisation of plant and equipment is calculated using the straight-line method to write off the cost, net of any estimated residual value, over their estimated useful lives as follows:

Building	20 years
Equipment	5 years
Mobile equipment	3 years
Computer equipment	2 years

On the commencement of commercial production, depletion of each mineral property interest will be provided on a unit-of-production basis.

j) Impairment of non-financial assets

At each reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in profit or loss for the period.

For the purposes of impairment testing, plant and equipment and exploration and evaluation assets are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

k) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

l) Stock-based compensation

The Company applies the fair value method to stock-based compensation for all awards including grants of options and direct awards of stock. The fair value is measured at grant date and each vesting tranche is recognised as a separate award. Compensation expense is recognised over the applicable vesting period with a corresponding increase in other equity reserve. When the options are exercised, the exercise price proceeds, together with the related other equity reserve amounts are credited to share capital.

Deferred share units ("DSUs") may be granted to directors as part of their long-term compensation package entitling them to receive pay out in cash based on the Company's share price at the relevant time. A liability for DSUs is measured at fair value on the grant date and is subsequently adjusted at each consolidated statements of financial position date for changes in fair value according to the estimation made by management of the number of DSUs that will eventually vest. The liability is recognised over the vesting period, with a corresponding charge to stock-based compensation.

Deferred compensation units ("DCUs") are granted to employees as part of their long-term compensation package allowing them to receive pay out in cash based on the Company's share price at the date of maturity. A liability for DCUs is measured at fair value on the grant date and is subsequently adjusted at each consolidated statements of financial position date for changes in fair value according to the estimation made by management of the number of DCUs that will eventually vest. The liability is recognised over the vesting period, with a corresponding charge to stock-based compensation.

m) Provisions

Provisions are recognised when a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognised as accretion expense.

n) Loss per share

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by application of the treasury stock method. Outstanding stock options and share purchase warrants that would potentially dilute basic loss per share have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

o) Interest income and finance costs

Interest income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings and the unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Deferred financing costs are initially deferred and subsequently reclassified as part of the loan on a pro-rata basis of the loan amount drawn.

p) Segmented information

The Company conducts its business in a single segment, being the acquisition, exploration and development of mineral properties. All mineral properties are located in the United States. In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

q) Streaming agreements

To determine the transaction price for streaming agreements and the revenue to be recognized as control transfers, the Company must make estimates with respect to interest rates implicit in the agreements and future production of the life of mine and Mineral Resources and Reserves quantities. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized. The Company also exercises judgment in the identification of performance obligations under the Stream Agreement (note 4d) and the allocation of the transaction price thereto. Specifically, management considered the customer's rights in relation to future production and the interrelationship of the customer's ability to benefit from this right and related extraction activities performed by the Company, as well as the Company's role as an agent to deliver future refined metal following extraction activities it performs.

r) Recent accounting pronouncements:

i) Financial Instruments (IFRS 9), effective January 1, 2018, replaced the requirements in IAS 39, Financial Instruments, Recognition and Measurement for classification and measurement of financial assets and liabilities. IFRS 9 introduces a single classification and measurement approach for financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements and results in a single impairment model being applied to all financial instruments. IFRS 9 also modified the hedge accounting model to incorporate the risk management practices of an entity.

The Company adopted IFRS 9 effective January 1, 2018. There was a change to the carrying value of the Red Kite long-term debt under the Loan Agreement (note 4c) as a result of this new accounting standard. The Company has taken an exemption not to restate comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, the comparative information for 2017 is presented under IAS 3 with modified retrospective application during the period and the effects of the adoption are disclosed in Note 4cii.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) or Fair Value from Profit or Loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

1. Financial assets at FVPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
2. Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
3. Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

ii) Leases (IFRS 16), effective for annual periods beginning on or after January 1, 2019, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets).

The Company will apply IFRS 16 from January 1, 2019. The impact of this new standard has not yet been quantified. However, the Company expects to record lease obligation liabilities and rights of use assets on our consolidated balance sheet, which will increase the Company's debt and property, plant and equipment balances.

3. Mineral Properties, Plant and Equipment:

	Mineral Properties Development Costs	Plant & Equipment	Deposits	Total
Cost:				
As at Dec. 31, 2016	$230,320	$1,128	$-	$231,448
Additions	20,886	-	84	20,970
As at Dec. 31, 2017	$251,206	$1,128	$84	$252,418
Additions	91,180	178	20,477	111,835
As at Dec. 31, 2018	**$342,386**	**$1,306**	**$20,561**	**$364,253**
Accumulated depreciation:				
As at Dec. 31, 2016	$-	$916	$-	$916
Additions	-	53	-	53
As at Dec. 31, 2017	$-	$969	$-	$969
Additions	-	60	-	60
As at Dec. 31, 2018	**$-**	**$1,029**	**$-**	**$1,029**
Net book value:				
As at Dec. 31, 2017	$251,206	$159	$84	$251,449
As at Dec. 31, 2018	**$342,386**	**$277**	**$20,561**	**$363,224**

Pumpkin Hollow Copper Development Property (the "Property"):

The Company has a 100% interest in the Property situated near Yerington, Nevada. The Property is comprised of private land owned directly by the Company and leased patented claims.

The Company entered into the Lease Agreement (the "Lease") for the leased patented claims with RGGS Land & Minerals Ltd. ("RGGS") in May 2006. The Lease had an initial term of ten years, has been renewed for a further ten-year term, and is renewable for up to two more additional ten-year terms for a total of 40 years.

Under the terms of the Lease, the Company is required to pay advance royalty payments of $600 annually until the second expiry date of the Lease on May 2026. Following the completion of the second ten-year term the Lease can be extended for two further ten-year terms subject to performing continuous mining activities, and payment of production royalties and minimum royalty payments of $10,000 in each of these subsequent ten-year terms.

The Company must also pay RGGS a net production royalty on copper obtained from leased patented claims. The royalty rate is 4% on copper when the copper price is less than $1.00 per pound, 5% when the copper price is between $1.00 per pound and $2.00 per pound, and 6% when the price of copper is greater than $2.00 per pound. On all other minerals, such as gold and silver, except iron, the royalty rate is 5%. These royalties will be offset by earlier advance royalty payments subject to the annual minimums. There is also a smaller royalty payable to RGGS on copper, gold, silver and taconite (iron) on any production derived from a defined Area of Interest (AOI) surrounding, and extending approximately 1 mile from the boundary of, the leased patented claims.

During 2017, an agreement was reached with RGGS to defer the advance royalty payments in 2017 to 2018. At December 31, 2017, the deferred amount was $863 which was accrued in the Company's accounts. In consideration for this deferral, the RGGS royalty rates on production from within the AOI, increased from 1% to 2% for non-ferrous metals and the royalty rate for ferrous metals increased from $0.10 per ton to $0.20 per ton.

Three months prior to commencing mining operations, the Company must provide RGGS with a standing irrevocable letter of credit in favour of RGGS. If RGGS withdraws any amounts from the letter of credit, the Company must replace the funds withdrawn within ten days of receiving notice from RGGS that funds have been withdrawn. The letter of credit remains in effect until all obligations of the Company under the Lease have been performed, and RGGS has the right to request a revision upward in the required amount of the letter of credit based upon past and projected production royalties from the Property.

The Company is current with all required Lease payments and advance royalty payments. Lease payments of $600 and $863 of 2017 deferred Lease payment were due and paid during the year ended December 31, 2018. Cumulative advance royalty payments made total $4,626 to December 31, 2018.

Project costs capitalised for the year ended December 31, 2018 on the Property consists of the following:

	December 31, 2018	2018 Additions	Dec. 31, 2017	2017 Additions	Dec. 31, 2016
Property payments	**$1,961**	$-	$1,961	$-	$1,961
Advance royalty payments	**4,626**	1,463	3,163	-	3,163
Water rights	**2,438**	188	2,250	279	1,971
Drilling	**42,302**	1,145	41,157	-	41,157
Geological consulting, exploration & related	**8,459**	536	7,923	-	7,923
Feasibility, engineering & related studies	**25,318**	3,956	21,362	1,779	19,583
Permits/environmental	**12,494**	850	11,644	63	11,581
East deposit underground project					
Underground access, hoist, head frame, power & related	**106,339**	27,438	78,901	1,140	77,761
Engineering procurement	**45,133**	34,583	10,550	-	10,550
Surface infrastructure	**5,796**	1,992	3,804	-	3,804
Site costs	**19,892**	4,548	15,344	1,494	13,850
	274,758	76,699	198,059	4,755	193,304
Depreciation	**750**	60	690	53	637
Asset retirement obligation	**909**	909	-	-	-
Capitalised interest	**57,453**	9,494	47,959	15,975	31,984
Stock-based compensation	**5,903**	1,405	4,498	103	4,395
Stream accretion (note 4d)	**2,613**	2,613	-	-	-
Total	**$342,386**	$91,180	$251,206	$20,886	$230,320

Asset impairments

The Company reviews the carrying value of assets at each reporting period for indicators of impairment using both internal and external sources of information.

Due primarily to the market capitalisation at December 31, 2018 and 2017, indicators for impairment existed leading to a test of recoverable amount of the Pumpkin Hollow mine. The Company estimated the recoverable amount of the mine based on its value in use using a discounted cash flow model and categorised in Level 3 of the fair value hierarchy. The cash flow model is based on detailed forecasts for the mine and is prepared using life-of-mine plans with expected future production. The analysis performed has not resulted in the recognition of an impairment loss as at December 31, 2018 and 2017.

Key assumptions

The Company's key assumptions used in determining the recoverable amount of the Pumpkin Hollow mine are metal prices, operation costs, capital costs, reserves and resources, and discount rates as noted below. The 2017 assumptions have been shown for comparative purposes.

Metal prices

The metal prices used to calculate recoverable amounts at December 31, 2018 are based on analysts' consensus prices and are summarised in the following table:

Metal prices	2019 average	Long term
Copper price ($/lb)	$2.83	$3.20
Gold price ($/oz)	$1,276	$1,325
Silver price ($/oz)	$18.77	$20.01

The metal prices used to calculate recoverable amounts at December 31, 2017 are based on analysts' consensus prices and are summarised in the following table:

Metal prices	2018 average	Long term
Copper price ($/lb)	$3.20	$3.21
Gold price ($/oz)	$1,220	$1,238
Silver price ($/oz)	$17.88	$17.90

Operating and capital costs
Operating costs and capital expenditures are based on life-of-mine plans and forecasts using management's best estimates from the feasibility studies released in 2017.

Reserves and resources
Future mineral production is included in projected cash flows based on mineral reserve and resource estimates and exploration and evaluation work, undertaken by qualified persons when preparing the feasibility studies released in 2017.

Discount rate
Discount rates used to present value the life of mine cash flow are based on weighted average cost of capital for similar companies and adjusted for risk and current market information. The Company took into consideration the discount rate used in the feasibility studies released in 2017. The Company has used a range of 10%-11% discount rate for the years ended December 31, 2018 and 2017.

4. Debt:

	December 31, 2018	December 31, 2017
Current portion of long term-debt:		
Pala Bridge Loan (a)	**$-**	$3,525
Current portion of convertible debt (b)	**-**	36,485
Current portion of convertible debt - derivatives (b)	**28**	11,735
Current portion of long-term debt (c)	**-**	18,293
Total Current portion of long term-debt	**28**	70,038
Long term debt (c)	**89,759**	113,532
Total Long-Term debt	**$89,787**	$183,570

a) Bridge loan:

During October 2017, Pala Investments Limited ("Pala"), a significant shareholder (note 5), advanced funds to the Company (the "Pala Bridge Loan") as a short-term bridge loan. The Pala Bridge Loan had a maximum principal amount of $3,500, carried an interest rate of 7% with the interest payable at maturity. The Pala Bridge Loan had a maximum term of six months and could be repaid early without penalty. The loan was collateralised against the Company's assets. During the year, the Company repaid the entire Pala Bridge Loan balance, including interest of $37, upon completion of the Offering (note 7b).

b) Convertible debt:

	Loan facility	Deferred financing fees	Total
December 31, 2016	$29,035	($204)	$28,831
Advance	5,000	(2,372)	2,628
Interest accrued	4,197	-	4,197
Accretion expense	-	829	829
December 31, 2017	$38,232	($1,747)	$36,485
Interest accrued	224	-	224
Conversion	(38,456)	1,747	(36,709)
December 31, 2018	$-	$-	$-

	Convertible Derivative	Warrants Derivative	Total
December 31, 2016	$11,900	$468	$12,368
New tranche issued	1,656	451	2,107
Change in fair value	(2,570)	(170)	(2,740)
December 31, 2017	$10,986	$749	$11,735
Change in fair value	1,336	(721)	615
Conversion	(12,322)	-	(12,322)
December 31, 2018	$-	$28	$28

On June 3, 2016, the Company and Pala entered into a Convertible Facility (the "Facility"). The Facility had an initial balance of $20,200 ("Tranche 1") and subsequent additional funding of $5,000 in each of the 2016 ("Tranche 2") and 2017 ("Tranche 3") fiscal years aggregating to a total principal balance of $30,200 at an interest of 12% per annum. The Facility was collateralised against the Company's assets and was payable on the earliest of (1) December 31, 2018; (2) the date when outstanding amounts under the Loan Agreement (note 4c) were paid in full; or (3) if a change of control occurred.

Pala could elect to convert the principal amount and any accrued and unpaid interest under the Facility, in full or in part, at the conversion price, into common shares in the capital of the Company at any time up to the maturity date or upon any voluntary prepayment by the Company. The conversion price was $0.69 CAD per share for Tranche 1 and 2 and $0.76 CAD for Tranche 3.

In addition, in 2016, 2,500,000 warrants (note 7f) were issued to Pala with a three-year term, exercisable to acquire common shares of the Company at an exercise price of $1.20 CAD per share in relation to Tranche 2. A further 2,500,000 warrants (note 7f) were issued to Pala in 2017 with a three-year term, exercisable to acquire common shares of the Company at an exercise price of $0.97 CAD per share in relation to Tranche 3.

The Facility also granted Pala the right, so long as it holds at least 15% of the outstanding common shares of the Company, to nominate up to three members to the Board and to participate in future equity offerings of the Company on a pro rata basis.

The Facility was carried at amortised cost and the convertible option and the warrants of the Facility were recorded at their respective fair values at inception and each subsequent measurement date as they were classified as derivatives. Changes in the fair values of these financial instruments are recorded in the statements of operations and comprehensive loss.

On December 21, 2017, the Facility was amended. The conversion price was revised to be the lower of: $0.50 CAD, the price per common share paid in connection with any equity subscription closed in connection with the senior loan refinancing transactions, and the original terms of $0.69 CAD and $0.76 CAD per share.

On January 19, 2018 ("Conversion Date"), the Facility was converted into shares at a conversion price of $0.50 CAD per share. The Facility balance, including interest, at the time of conversion was $38,456 ($47,781 CAD). This resulted in the issuance of 95,561,944 shares to Pala.

The Facility of $38,456, the deferred financing fees of $1,747 and the fair value of the convertible derivative obligation of $15,948 at the Conversion Date were all reclassified to share capital resulting in an increase in share capital of $52,657.

Interest expense of $958 was also incurred upon conversion.

The warrants relating to the Facility remain outstanding. The value related to the change in conversion price has been treated as part of the deferred financing cost of Pala agreeing to backstop certain financings (note 7b). Pala has also been granted the continuation of certain rights it held pursuant to the Facility, including the right to nominate up to three members of the Board, subject to Pala maintaining certain share ownership thresholds, and the right, as long as Pala holds 15% of the outstanding shares, to participate in future equity offerings on a pro rata basis.

c) Long term debt:

	Loan facility – amortised cost	Deferred financing fee	Derivative	Total
Balance at December 31, 2016*	$122,920	$-	523	123,443
Interest accrued	14,758	-	-	14,758
Interest paid	(7,136)	-	-	(7,136)
Accretion expense	1,217	-	-	1,217
Change in fair value	-	-	(457)	(457)
Balance at December 31, 2017*	$131,759	$-	$66	$131,825
IFRS 9 adjustments (ii)	4,885	-	-	4,885
Balance at January 1, 2018	136,644	-	66	136,710
Interest, accretion and other adjustments to refinancing	391	-	(66)	325
Refinancing (iii)	(42,035)	(135)	914	(41,256)
Balance after refinancing	95,000	(135)	914	95,779
Interest and accretion expense	8,704	-	-	8,704
Conversion to shares (iii)	(15,000)	-	-	(15,000)
Change in fair value	-	-	276	276
Balance at December 31, 2018	$88,704	$(135)	$1,190	$89,759
* short term and long-term portion				

i) Red Kite Loan Facility: Original Terms

On December 30, 2014 and amended September 2015, January 2016, April 2016, May 2016, and March 2017, the Company entered into a loan agreement with EXP T1 Ltd, an affiliate of RK Mine Finance ("Red Kite"), pursuant to which Red Kite agreed to make a $200,000 senior secured loan facility (the "Loan") available to the Company. The Company borrowed a total of $110,000. The balance of the Loan, or new additional loan amounts, may be drawn down by the Company, subject to the Company achieving certain milestones relating to the development of the Project.

The Loan is fully and unconditionally guaranteed, on a joint and several basis, by the Company's existing and future subsidiaries and secured by all current and future assets of the Company. The loan is collateralized against the Company's assets, including the shares of the Company's subsidiary which holds the Property.

Under the original terms of the Loan Agreement, the Loan was to be repaid by December 31, 2020 with quarterly principal repayments commencing on December 31, 2017. The Loan could be repaid without penalty at any time prior to maturity. Amounts advanced under the Loan bear interest at the greater of three-month LIBOR and 1%, plus 10% until the commencement of commercial production where the amounts advanced under the Loan bear interest at the greater of three-month LIBOR and 1%, plus 7.5%.

Since inception through the year ended December 31, 2018, $57,453 (note 3) (2017 - $47,959) of interest was accrued and capitalised to mineral property development costs.

The Loan is carried at amortised cost on the consolidated statements of financial position. The Company has incurred $15,018 of transaction costs, on the total amount available under the Loan. A pro-rata portion of the transaction costs was recognised as part of the Loan based on the amount drawn. The remainder of the transaction costs have been accounted for as deferred financing costs in the amount of $8,260, which was written off during the year as part of the January 2018 refinancing.

In addition to, and related to, the Loan, the Company also entered into an off-take agreement with Red Kite for the sale of copper concentrates from the underground mine of the eastern underground deposits, which was repurchased by the Company in 2016.

An offtake agreement in relation to the underground deposits has been entered to for 25.5% of the concentrates produced from the eastern deposits. The off-take agreement includes concentrate pricing based on market terms.

ii) Subsequent amendments and IFRS 9 adjustment

As mentioned above, the Loan agreement had amendments (the "Amendments") in September 2015, January 2016, April 2016, May 2016, and March 2017. Under IAS 39, when an entity made such amendments, it must decide whether this modification was significant enough to constitute an extinguishment (either qualitatively or where the change in present value of cash flows exceeded 10% in accordance with the entity's accounting policy). If the modification was considered an extinguishment of the initial debt, the new modified debt was recorded at fair value and a gain/loss recognized in income for the difference between the carrying amount of the old debt and the new debt. This extinguishment accounting remains the same under IFRS 9.

However, accounting under the newly adopted IFRS 9 differs where the change was not significant enough to be an extinguishment. Under IAS 39 modifications would not lead to an immediate income charge because the entity would typically discount the cash flows of the modified debt at a revised effective interest rate. However, under IFRS 9, the cash flows under the modified debt must be rediscounted at the original effective interest rate. This leads to an immediate income charge on the date of modification.

Since the Company determined that the above Amendments were not significant enough to be extinguishments under IAS 39, the cash flows under each Amendment had to be rediscounted at the original effective interest rate upon adoption of IFRS 9 on January 1, 2018. This analysis resulted in a $4,885 increase in the carrying value of the Loan and a corresponding charge to deficit as at January 1, 2018 under a modified retrospective basis without adjustment to comparatives.

iii) January 2018 refinancing

Concurrent with completion of the Offering (note 7b) on January 19, 2018, $42,035 was repaid to Red Kite from proceeds of the Offering. The refinancing reduced the Loan outstanding after the financing to $95,000 (the "Refinanced Loan"). $80,000 of the Refinanced Loan balance consists of two tranches ("RK Tranche 1" and RK Tranche 2") of $40,000 each. Subject to completion of another equity offering in 2018, Red Kite agreed to convert into shares a further $15,000 of outstanding Refinanced Loan at a conversion price to be set based on the share price of that equity offering.

During the year ended December 31, 2018, the $15,000 above was converted into 32,885,000 common shares of the Company concurrent with the closing of the Second Offering (note 7c).

RK Tranche 1 has a seven-year term maturing on January 19, 2025; bearing interest at the greater of the three-month LIBOR and 1%, plus 8% payable quarterly. A two-year grace period has been obtained on cash interest payments wherein interest shall be capitalized to the loans. After the grace period, interest shall be paid quarterly together with the 20 quarterly principal repayments over a 5-year amortization period. The quarterly repayments shall be 1% of the outstanding balance for quarters 1 to 5; 5.25% from quarters 6 to 7 and 6.50% from quarters 8 to 20.

RK Tranche 2 has a nine-year term maturing on January 19, 2027, bearing interest at the greater of three-month LIBOR and 1%, plus 8.5% and a single repayment of principal and interest at maturity.

The Refinanced Loan has the same security terms as the original agreement and contains certain financial and non-financial affirmative and restrictive covenants similar to those found in a traditional bank financing. The Company is in compliance with these covenants as at December 31, 2018.
The Company may prepay the outstanding balance of RK Tranche 2. RK Tranche 1 could be repaid at any time following the repayment in full of RK Tranche 2. The prepayment option is available without premium or penalty, at any time prior to maturity. Each prepayment shall be in a principal amount at least equal to the lesser of $5,000 or the outstanding principal balance of the Refinanced Loan.

An embedded derivative liability relating to the interest rate floor and the prepayment option has been recognised. The embedded derivative fair value at inception was $914. The fair value of the embedded derivative liability is $1,190 at December 31, 2018. The change in value was recognised in the consolidated statement of operations as derivative fair value loss of $276 for the year ended December 31, 2018.

In accordance with IFRS 9, the Company concluded that the Refinanced Loan terms constituted an extinguishment of the initial Loan. Accordingly, the new Refinanced Loan was recorded at fair value and a $7,737 loss recognized in income for the difference between the carrying amount of the initial Loan and the Refinanced Loan.

d) Stream agreement

The Company and Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") have entered into a metals purchase and sale agreement on December 21, 2017 (the "Stream Agreement") whereby Triple Flag committed to deposit $70,000 (the "Stream Deposit") against the future delivery by Nevada Copper of 90% of the gold and silver production equivalent from the Underground Project. The gold and silver production is to be calculated based on a fixed ratio of 162.5 ounces of gold and 3,131 ounces of silver for each 1 million pounds of copper in concentrate produced. The Company will receive an ongoing payment of 10% of the spot price for each ounce of gold and silver delivered to Triple Flag. The Company has a one-time option on March 31, 2020 to reduce the amount of gold and silver to be delivered under the Stream Agreement to 55% of the gold and silver production from the Underground Project (based on the fixed ratios noted above) by making a payment of $36,000 to Triple Flag, subject to certain adjustments. The Company and its subsidiaries have provided security for the performance of the obligations under the Stream Agreement over all of their respective assets.

The Company received the full amount of the $70,000 Stream Deposit on September 6, 2018 following the announcement of the decision to proceed with construction of the Underground Project. The Company recorded the Stream Deposit as stream deferral and will recognize amounts in income as its performance obligations are satisfied. The amortization of the amount is calculated on a per unit basis using the estimated total number of silver and gold ounces expected to be delivered to Triple Flag over the life of the Underground Project.

In accordance with IFRS 15 revenue from contracts with customers, the Company identified a significant financing component related to the Stream Agreement resulting from a difference in the timing of the up-front consideration received and the expected future deliveries of metal. Interest expense on the stream deferral is recognized as a finance cost. The interest rate is determined based on the rate implicit in the Stream Agreement. $2,613 of accretion expenses was recognized during the three months ended December 31, 2018.

5. Related Party Transactions:

Pala is a related party to the Company as a result of its 36.5% (2017 – 47.2%) shareholding in Nevada Copper as at December 31, 2018. Additionally, two Pala executives are on the Company's Board of Directors as at December 31, 2018.

During the period, the following transactions were entered into with Pala:

- Pala subscribed for common shares in the aggregate amount of $41,100 ($51,400 CAD) in the Offering and Second Offering (note 7);
- Payment of the Pala Bridge Loan in the amount of $3,500 upon the completion of the Offering (note 4a);
- Conversion of the Facility into shares at a conversion price of $0.50 CAD per share upon the completion of the Offering. The Facility balance at the time of conversion was $38,500 ($47,000 CAD). This resulted in the issuance of 95,561,944 shares to Pala (note 4b);
- Backstop fees in the aggregate amount of $1,800 paid to Pala in respect of the Offering and Second Offering (notes 7b and 7c);
- Repayment of accounts payable of $2,724 to Pala in respect of technical and other services rendered; and
- Interest paid or accrued of $1,194 in favour of Pala under the Facility and the Pala Bridge Loan.

The Company has entered into management agreements with certain senior officers. In the event that there is a change of control, the Company may be required to pay severance payments ranging from six months to twenty-four months of salary for these senior officers. The amount of this contingent liability is $1,156 (2017 - $1,580) and is not recorded in the consolidated statements of financial position. During the period, $981 (note 6) was paid to a senior officer pertaining to this management agreement.

During the year ended December 31, 2018, $472 (2017-$nil) was incurred in director fees. As of December 31, 2018, accounts payable and accrued liabilities include director fees and expenses payable of $171 (2017-$488).

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party.

Key Management Personnel Compensation:

The remuneration of the chief executive officer, chief financial officer, chief commercial officer and directors, being those persons having authority and responsibility for planning, directing, and controlling activities of the Company, are as follows:

	2018	2017
Change of control benefits (note 5)	**$ 981**	$-
Short-term employee benefits	**1,614**	$700
Stock-based compensation	**1,619**	168
Total	**$4,214**	$868

6. Asset retirement obligation:

The asset retirement obligation has been recorded as a liability, assuming a risk-free discount rate of 2.5% (2017- 2.2%) and an inflation factor of 1.5% (2017 -1.3%). The liability for retirement and remediation on an undiscounted basis before an inflation factor of 1.5% (2017-1.3%) is estimated to be approximately $2,000 (2017- $856) and as of December 31, 2018 settlement is expected to be by December 31, 2033.

	Asset retirement obligation
Balance at Dec. 31, 2016	$958
Decrease in estimated timing and amount of closure costs	(80)
Accretion	17
Balance at Dec. 31, 2017	$895
Increase in estimated timing and amount of closure costs	909
Accretion	18
Balance at Dec. 31, 2018	**$1,822**

7. Share Capital:

a) Authorised and issued:

The Company is authorised to issue an unlimited number of common shares without par value.

b) Offering

In January 2018, the Company completed an Offering ("the Offering") raising gross proceeds of approximately $102,902 ($128,205 CAD) through the issuance of 256,410,256 Special Warrants at a price of $0.50 CAD per Special Warrant. Within the Offering, an aggregate of 98,450,896 Special Warrants were issued to Pala on the closing date, for total subscription proceeds from Pala of $39,510 ($49,225 CAD). On the closing date, the Company paid Pala a backstop fee of $600 in respect of a backstop arrangement under which Pala agreed to backstop up to $30,000 in respect of the Offering, which backstop arrangement was not exercised by the Company.

Within the Offering, an aggregate of 88,200,000 Special Warrants were issued to Castlelake LP ("Castlelake"), for total subscription proceeds from Castlelake of $35,396 ($44,100 CAD), which resulted in Castlelake holding approximately 19.8% of the outstanding common shares on the exercise of Castlelake's Special Warrants into Common Shares. The Company also entered into an investor rights agreement with Castlelake dated January 19, 2018, which provides Castlelake with certain rights, including the right to nominate one member of the Board and the right to participate in further equity offerings of the Company, in each case subject to Castlelake maintaining certain minimum percentage share ownership thresholds.

The Special Warrants were converted to the Company's common shares effective March 7, 2018 once the Company filed a short form prospectus. Part of the proceeds from the Offering was used to repay the Pala Bridge Loan (note 4a) and a portion of the Loan (note 4c).

Share issuance costs of $4,382 were incurred in relation to the Offering, included in these costs was the equity backstop fee of $600 charged by Pala.

c) Second Offering

In July 2018, the Company completed a Second Offering ("the Second Offering") raising gross proceeds of approximately $82,750 ($108,463 CAD) through the issuance of 180,771,021 common shares at a price of $0.60 CAD per share. Share issuance costs of $8,926 were incurred in relation to the Second Offering. Included in these costs was the equity backstop fee of $1,200 charged by Pala and 2,684,131 common shares issued as consideration for services provided by an arm's length party.

An aggregate of 3.6 million shares were issued to Pala, for total subscription proceeds from Pala of $1,643 ($2,160 CAD).

Concurrent with the closing of the Second Offering, $15,000 of the Refinanced Loan automatically converted into 32,885,000 common shares of the Company, which were issued at $0.60 per common share (note 4ciii)

d) Share Purchase Options:

	Number of Options	Weighted average exercise price $(CAD)
Outstanding December 31, 2016	7,618,500	$0.89
Expired/cancelled	(1,915,000)	1.04
Outstanding December 31, 2017	5,703,500	$0.84
Granted	19,074,000	0.68
Expired/cancelled	(1,355,000)	0.78
Outstanding December 31, 2018	**23,422,500**	**$0.71**
Exercisable December 31, 2018	**11,882,500**	**$0.74**

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan"), originally approved by the shareholders on November 16, 2007 and re-approved April 27, 2017, which complies with the rules and policies of the TSX. Under the Plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of ten years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Company, those options shall immediately expire.

During the year ended December 31, 2018, 19,074,000 options (2017 – nil) at a weighted-average exercise price of $0.68 CAD (2017 – $nil) were granted to employees, consultants and directors exercisable for a period of five years with various vesting terms between nil and three years. The weighted-average fair value attributable to options granted in the period was $0.68 CAD.

During the year ended December 31, 2018, $3,513 (2017 - $nil) in stock-based compensation was recorded for options granted to officers and employees, of which $2,108 (2017 -$nil) was charged to operations. The Company uses the Black-Scholes option pricing model to value stock options, which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	December 31, 2018	**December 31, 2017**
Risk free interest rate	1.97%	n/a
Expected dividend yield	0%	n/a
Expected stock price volatility	66.9%	n/a
Expected life in years	4.3	n/a
Expected forfeitures	0%	n/a

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company's historical share prices. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Expected forfeitures are based on historical forfeitures of the Company's options.

The following table summarises the stock options outstanding and exercisable as at December 31, 2018:

	Outstanding		Exercisable	
Exercise price (in CAD)	Number outstanding	Weighted average remaining life (years)	Number outstanding	Weighted average remaining life (years)
$0.50 - $0.74	21,717,500	4.12	10,737,500	3.81
$0.75 - $1.00	1,120,000	2.12	560,000	2.12
$1.01 - $1.96	585,000	0.87	585,000	0.87
	23,422,500	**3.95**	**11,882,500**	**3.58**

Subsequent to year end, 13,504,336 options at a weighted-average exercise price of CAD$0.44 were granted to directors and officers exercisable for a period of five years with various vesting terms between nil and three years.

e) Deferred share units:

	Number of DSUs
Outstanding December 31, 2016	2,036,064
Granted	183,270
Expired	(1,343,994)
Outstanding December 31, 2017 and 2018	**875,340**

The Company established a DSU plan that allows directors to receive directors' fees in the form of DSUs. Directors receive cash upon the exercise of the DSU. DSUs may only be exercised when the holder ceases to be a director. Vesting terms are established by the directors at the date of grant. Settlement of DSUs is a cash pay-out based on the 5-day volume weighted average price 120 days after the director ceases to be a director.

Periodically, since 2013, directors have been granted DSUs, which replaced stock option grants and cash payments as a component of their compensation. All of the DSUs have vested. The current DSU payable amount is $212 (2017 - $749). The Corporation recognised $276 gain for the year ended December 31, 2018 (2017 – $75 loss) in the consolidated statements of operations in relation to change in value of these DSUs.

f) Warrants:

	Number of warrants
Outstanding December 31, 2016	2,960,000
Granted	2,500,000
Outstanding December 31, 2017	5,460,000
Exercised	(442,750)
Expired/cancelled	(17,250)
Outstanding December 31, 2018	**5,000,000**

As part of the Company's June 2016 equity offering, the Company issued 460,000 agent warrants. These warrants had an exercise price of CAD$0.60 per warrant and those not exercised expired on June 9, 2018. During the year ended December 31, 2018, the Company issued 442,750 shares pursuant to the exercise of warrants at CAD$0.60 per share for gross proceeds of $205.

In June 2016, the Company issued 2,500,000 warrants with an exercise price of CAD$1.20 per share to Pala in relation to the Facility and in March 2017, a further 2,500,000 warrants were issued with an exercise price of CAD$0.97 per share (note 4b). The change in value of the warrant derivatives was recognised in the consolidated statement of operations as derivative fair value gain of $721 for the year ended December 31, 2018 (2017 – $170). The fair value of the warrants derivative at December 31, 2018 and December 31, 2017 was measured using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2018	**December 31, 2017**
Risk-free interest rate	1.81%	1.39%
Expected dividend yield	0	0
Expected stock price volatility	62.1%	68.3%
Expected life in years	0.8	1.3

g) Deferred compensation units:

The Corporation established a DCU plan that allows employees to receive compensation in the form of DCUs. The DCUs vest over a period of time ranging up to one year. Employees receive cash upon the exercise of the DCU. Vesting terms are established at the date of grant. Settlement of DCUs is a cash pay-out based on the closing price the day prior to settlement.

	Number of DCUs
Outstanding December 31, 2016	1,830,469
Expired/ redeemed	(1,830,469)
Outstanding December 31, 2017 and 2018	**nil**

There were no DCUs granted in 2018. The DCU payable in 2017 was $798. During the year ended December 31, 2018, $Nil (2017 - $798) in stock-based compensation was recorded in relation to the DCUs, of which $Nil (2017 - $136) was charged to operations and $Nil (2017 - $103) was capitalised to development costs.

h) Performance and Restricted Share Units

Subsequent to year end, the Company established Performance and Restricted Share Unit Plan that allows employees to receive short term and long-term incentive plan compensation in the form of performance share units ("PSUs") and restricted share units ("RSUs"). Under the plan, 4,359,466 PSUs and 5,368,258 RSUs were issued subsequent to year end.

8. Commitments and Contractual Obligations:

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	December 31, 2018	**December 31, 2017**
Property, plant and equipment	22,910	-

The Company leases offices and equipment under non-cancellable operating leases expiring within 2 to years 5 years:

December 31, 2018			Payments due by period		
Contractual obligations	Total	1 year	2-3 years	4-5 years	5 years+
Office lease	$140	$46	$94	$-	$-
Equipment leases	1,779	355	712	712	-
Total USD obligations	$1,919	$401	$806	$712	$-
	CAD	CAD	CAD	CAD	CAD
Office lease	$398	$114	$273	$11	$-
Total CAD obligations	$398	$114	$273	$11	$-

December 31, 2017			Payments due by period		
Contractual obligations	Total	1 year	2-3 years	4-5 years	5 years+
	CAD	CAD	CAD	CAD	CAD
Office lease	$217	$217	$-	$-	$-
Total CAD obligations	$217	$217	$-	$-	$-

Subsequent to year end, the Company entered into the following additional commitments:

- equipment lease commitments amounting to $3,707
- capital expenditures amounting to $3,621

9. Income taxes:

(a) Effective tax rate:

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2017 - 26.0%) as follows:

	Dec. 31, 2018	Dec. 31, 2017
Loss Before Taxes	**$(20,057)**	$(6,589)
Expected income tax expense (recovery)	**(5,415)**	(1,713)
Stock based compensation and other permanent items	**(3,343)**	(1,874)
Difference in foreign tax rates	**693**	(1,310)
Effect of changes in tax rates	**-**	1,959
Deferred tax assets not recognized	**8,065**	2,938
Total income tax expense	**$-**	$-

The difference in the statutory tax rate is due to the increase in the provincial corporate income tax rate effective January 1, 2018. The effect of the change in tax rates in 2017 is due to the decrease in the US federal tax rate from 35% to 21% effective January 1, 2018.

b) Deferred income tax assets and liabilities:

Deferred tax assets and liabilities have been recognised with respect to the following:

	Dec. 31, 2018	Dec. 31, 2017
Mineral properties	**$(22,854)**	$(6,733)
Tax losses	**14,057**	1,903
Deferred interest	**8,797**	4,830
Net deferred income tax liabilities	**$-**	$-

Deferred tax assets and liabilities have not been recognised with respect to the following temporary differences:

	Dec. 31, 2018	Dec. 31, 2017
Unrecognised deductible temporary differences and unused tax losses		
Non-capital losses	**$57,707**	$43,517
Capital losses	**2,890**	2,502
Marketable securities	**-**	1,387
Plant and equipment	**244**	886
Financing costs	**61,780**	5,249
Other	**4,647**	45
	$127,268	$53,586

The Company has Canadian tax losses of approximately $55,806 and the losses can offset future taxable income in Canada and expire between 2025 and 2038. The Company has total US tax loss of approximately $68,840. Losses in 2017 and earlier tax years can be used to offset future taxable income and expire between 2026 and 2037, and losses in 2018 of approximately $59,652 carry forward indefinitely and can be used to offset 80% of future taxable income.

10. Financial Instruments:

(a) Fair value measurements:

The carrying amounts for cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments.

The following is a classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of the convertible debt embedded derivative, prior to conversion, was determined using Level 2. The fair value for Level 2 has been calculated using market-based inputs for risk free rate of return, volatility, and foreign exchange rates. The fair value of the long-term debt embedded derivative has been determined using Level 2. The fair value for Level 2 has been calculated using market-based inputs from Bloomberg on the risk-free rate from the USD swap curve and the credit spread of the loan.

(b) Financial risk factors:

The Company manages its exposure to financial risks, including foreign exchange risk and interest rate risk, based on a conservative framework to protect itself against adverse rate movements. All transactions undertaken are to support the Company's ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company's Board of Directors oversees management's risk management practices by setting trading parameters and reporting requirements.

The Company's activities are exposed to financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk.

(c) Market risks:

i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Loan Agreement (note 4c) currently provides for interest at LIBOR plus 8%-8.5% per annum, subject to a minimum interest rate of 9%-9.5%. Due to the capitalisation of borrowing costs and the minimum interest rate provision, and as long as LIBOR is less than 1%, the Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

ii) Foreign currency risk:

The Company is exposed to currency fluctuations on its foreign currency monetary assets and liabilities. A significant change in the currency exchange rate between the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2018, the Company held $364 CAD (2017 - $21 CAD) in cash and cash equivalents in a company with a functional currency of United States dollars. At December 31, 2018, the Company had $1,389 CAD (2017 - $1,567 CAD) in accounts payable in a company with a functional currency of United States dollars.

A +/- 10% change in the Canadian exchange rate would have had an impact of approximately +/-$102 on loss for the year ended December 31, 2018.

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, reclamation bond, and amounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in high quality Canadian chartered banks. The Company's maximum exposure to credit risk is $112,648 as at December 31, 2018 (2017 - $1,461), being the carrying value of cash and cash equivalents, restricted cash and amounts receivable.

(e) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. During the year ended December 31, 2018, the Company received additional equity financing, debt refinancing and stream financing that together with access to potential funding, provides the Company with enough funds to meet its financial liabilities and future financial liabilities under its current commitments over the next twelve months ending December 31, 2019.

The Company is currently in the development stage and as result it is not yet generating revenue. The Company is reliant upon its existing cash and other sources of potential funding to:

1.) Complete construction of the Underground Project, and to take it into full production with positive steady state cashflow;
2.) Continue delineation drilling and advance engineering feasibility studies on the open pit development at the Project; and
3.) Address other corporate costs.

The Company continuously assesses its cash requirements and sources of funds in order to optimize its financing strategy. The Board of Directors is confident that, based on its existing cash and financing sources and through access to additional debt and equity capital that may be available to it in the future, the Company should have access to sufficient funds to meet its requirements.

11. Management of capital:

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of the items included in shareholders' equity and debt obligations. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt or streaming financing to ensure that there is sufficient working capital to meet its short-term business requirements.

At year end the Company met the $10,000 working capital covenant.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.