# enCore Energy Corp. TSX.V:EU

enCore Energy Corp.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Expressed in Canadian dollars)

# DAVIDSON & COMPANY LLP \_\_\_\_\_\_ Chartered Professional Accountants \_

# **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of enCore Energy Corp.

#### **Opinion**

We have audited the accompanying consolidated financial statements of enCore Energy Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

# "DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 20, 2020

# ENCORE ENERGY CORP. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian dollars) As at December 31, 2019 and 2018

	Notes	2019	2018
ASSETS			
Current			
Cash		\$ 2,787,118	\$ 925,626
Receivables and prepaid expenses		38,003	17,100
		2,825,121	942,726
Intangible assets	4	334,286	360,000
Mineral properties	6	5,016,675	4,932,970
Reclamation deposit	6	111,047	116,639
Total assets		\$ 8,287,129	\$ 6,352,335
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 68,212	\$ 51,544
Due to related parties	8	311,712	251,856
Total liabilities		379,924	303,400
Shareholders' Equity			
Share capital	7	26,792,041	23,903,536
Share subscriptions received	7	19,165	-
Contributed surplus	7	1,587,071	1,051,080
Accumulated other comprehensive income		640,978	853,691
Deficit		(21,132,050)	(19,759,372)
Total shareholders' equity		7,907,205	6,048,935
Total liabilities and shareholders' equity		\$ 8,287,129	\$ 6,352,335

Nature of operations and going concern (Note 1) Subsequent events (Note 15)

# Approved by the Board of Directors:

"William M. Sheriff"

Director

"William B. Harris"

Director

# ENCORE ENERGY CORP. CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS For the years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

	Notes	2019		2018
Expenses				
Amortization		\$ 25,714	\$	-
Consulting		186,544		161,364
Office and administration	8	98,085		105,011
Professional fees		112,164		36,201
Promotion and shareholder communications		9,039		953
Travel		61,717		-
Transfer agent and filing		63,244		-
Staff costs	8	408,493		84,621
Stock option expense	7,8	401,615		38,330
		(1,366,615)		(426,480)
Interest income		30,642		22,038
Foreign exchange gain (loss)		(36,705)		1,662
Loss for the year		(1,372,678)		(402,780)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations		(212,713)		341,412
Other comprehensive income (loss) for the year		(212,713)		341,412
Comprehensive loss for the year		\$ (1,585,391)	\$	(61,368)
Basic and diluted loss per share		\$ (0.01)	\$	(0.00)
Weighted average number of common		```'		× /
shares outstanding		133,747,739	1	14,157,590

# **ENCORE ENERGY CORP.** CONSOLIDATED STATEMENTS OF CASH FLOWS For the years ended December 31, 2019 and 2018 (Expressed in Canadian dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,372,678)	\$ (402,780)
Items not affecting cash:		
Amortization	25,714	-
Stock option expense	401,615	38,330
Changes in non-cash working capital items:		
Receivables and prepaids	(20,903)	28,327
Accounts payable and accrued liabilities	16,912	13,662
Due to related parties	73,314	77,742
Net cash used in operating activities	(876,026)	(244,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties expenditures	(307,916)	(362,595)
Reclamation deposit	-	(110,185)
Transaction costs for Metamin	-	(11,631)
Cash acquired upon acquisition of Metamin	-	2,501
Net cash used in investing activities	(307,916)	(481,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements	2,679,882	-
Share issuance costs	(167,584)	-
Exercise of warrants	316,833	83,333
Exercise of stock options	193,750	-
Share subscriptions received	19,165	-
Net cash provided by financing activities	3,042,046	83,333
Effect of exchange rate changes on cash	3,388	5,352
Change in cash during the year	1,861,492	(637,944)
Cash, beginning of year	925,626	1,563,570
Cash, end of year	\$ 2,787,118	\$ 925,626

Supplemental cash flow information - Note 12

# **ENCORE ENERGY CORP.** CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY For the years ended December 31, 2019 and 2018 (Expressed in Canadian dollars)

	Number of Shares	Share Capital	Shares Subscribed	Contributed Surplus	Cumulative translation adjustment	Deficit	Total
Balance as at December 31, 2017	111,492,750	\$ 23,310,203	\$-	\$ 1,012,750	\$ 512,279	\$ (19,356,592)	\$ 5,478,640
Shares issued for exercise of warrants	833,334	83,333	-	-	-	-	83,333
Shares issued for share purchase agreement	3,000,000	150,000	-	-	-	-	150,000
Shares issued for intangible assets	3,000,000	360,000	-	-	-	-	360,000
Stock option expense	-	-	-	38,330	-	-	38,330
Loss and comprehensive income (loss) for the year	-	-	-	-	341,412	(402,780)	(61,368)
Balance as at December 31, 2018	118,326,084	23,903,536	-	1,051,080	853,691	(19,759,372)	6,048,935
Shares issued for private placement	17,865,878	2,411,894	-	267,988	-	-	2,679,881
Share subscriptions received	-	-	19,165	-	-	-	19,165
Share issuance costs	-	(167,584)	-	-	-	-	(167,583)
Finders' warrants issued	-	(103,210)	-	103,210	-	-	-
Shares issued for exercise of warrants	3,775,001	484,505	-	(167,672)	-	-	316,833
Shares issued for exercise of stock options	3,837,500	262,900	-	(69,150)	-	-	193,750
Stock option expense	-	-	-	401,615	-	-	401,615
Loss and comprehensive loss for the year	-	-	-	-	(212,713)	(1,372,678)	(1,585,391)
Balance as at December 31, 2019	143,804,463	\$ 26,792,041	\$ 19,165	\$ 1,587,071	\$ 640,978	\$ (21,132,050)	\$ 7,907,205

# 1. NATURE OF OPERATIONS AND GOING CONCERN

enCore Energy Corp. was incorporated on October 30, 2009 under the Laws of British Columbia, Canada. enCore Energy Corp., together with its subsidiaries (collectively referred to as the "Company" or "enCore"), is principally engaged in the acquisition and exploration of resource properties in the United States. The Company's common shares trade on the TSX Venture Exchange under the symbol "EU" and on the OTCQB Venture Market under the symbol "ENCUF".

The Company's head office is located at #250 – 200 Burrard Street, Vancouver, BC.

The consolidated financial statements have been prepared assuming the Company will continue on a goingconcern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company has no source of operating cash flow and operations to date have been funded primarily from the issue of share capital. For the year ended December 31, 2019, the Company reported a net loss of \$1,372,678 (2018 - \$402,780), had working capital of \$2,445,197 (2018 - \$639,326) and an accumulated deficit of \$21,132,050 (2018 - \$19,759,372). These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption not appropriate. Such adjustments could be material.

Management estimates that it has adequate working capital to fund all of its planned activities for the next year. However, the Company's long-term continued operations are dependent on its abilities to monetize assets or raise additional funding from loans or equity financings, or through other arrangements. There is no assurance that future financing activities will be successful.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2019.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements were approved for issuance by the board of directors on April 20, 2020.

#### **Basis of Consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant intercompany transactions and balances have been eliminated.

#### **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity	Functional Currency
Tigris Uranium US Corp.	Nevada, USA	100%	Mineral	USD
Metamin Enterprises US Inc.	Utah, USA	100%	Mineral	USD

#### Cash

Cash is comprised of cash held at banks and demand deposits.

#### Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates, using a pretax rate that reflects the time value of money, are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in a provision due to the passage of time is recognized as finance expense. The Company has no environmental rehabilitation obligations at this time.

# **Mineral properties**

Costs related to the acquisition of mineral property interests are capitalized. Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of property option agreements. Such payments are made entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

#### Impairment of financial and non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 of disposal and the value in use. 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to 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 recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When 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, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### Intangible assets

Intangible assets are recognized and measured at cost. Intangible assets with indefinite useful lives are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

#### **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for the initial recognition of assets or liabilities that do not affect either accounting or taxable loss or those differences relating to investments in subsidiaries to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statements of the financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recorded.

# Foreign exchange

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is the Canadian dollar. The functional currency of enCore Energy Corp. is the Canadian dollar and the functional currency of Tigris Uranium US Corp. and Metamin Enterprise US Inc. is the US dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date.

#### Foreign exchange (cont'd)

Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to loss and comprehensive loss.

The statement of financial position of each foreign subsidiary is translated into Canadian dollars using the exchange rate at the statement of financial position date and the statement of loss and comprehensive loss is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income (loss).

#### Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments when the inclusion of these would not be anti-dilutive.

#### **Share-based payments**

The fair value of all stock options granted to directors, officers, and employees is recorded as a charge to operations and a credit to contributed surplus. The fair value of these stock options is measured at the grant date using the Black-Scholes option pricing model. The fair value of stock options which vest immediately is recorded at the grant date. For stock options which vest in the future, the fair value of stock options, as adjusted for the expected level of vesting of the stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of contributed surplus, is credited to share capital.

# Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

#### **Financial Instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

# Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **Derecognition of Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

# New Accounting Standards Adopted During the Year

The Company has adopted IFRS 16 Leases ("IFRS 16") which is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the previous guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets.

The adoption of IFRS 16 did not have an impact on the Company's consolidated financial statements.

# 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the expected amounts, events or actions to form the basis for estimates, actual results may differ from these estimates.

#### **Critical accounting estimates:**

**The assessment of the recoverable amount of mineral properties as a result of impairment indicators** - When indicators of impairment are identified, recoverable amount calculations are based either on discounted estimated future cash flows or on comparable recent transactions. The assumptions used are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these assumptions may alter the results of impairment testing, the amount of the impairment charges recorded in the statement of loss and comprehensive loss and the resulting carrying values of assets.

**Share-based payments -** The fair value of stock options issued is subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

**Recovery of deferred tax assets -** Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Amortization and impairment of intangible assets - Amortization of intangible assets is dependent upon the estimated useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

#### **Critical accounting judgments:**

**The assessment of indicators of impairment for mineral properties** – The Company follows the guidance of IFRS 6 to determine when a mineral property asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the results of exploration and evaluation activities to date and the Company's future plans to explore and evaluate a mineral property.

**Business combinations -** The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of Metamin was determined to constitute an acquisition of assets (note 5).

**Determination of functional currency** - In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries is the U.S. dollar.

# 4. INTANGIBLE ASSETS

During the year ended December 31, 2018, the Company entered into an agreement with VANE Minerals (US) LLC ("VANE") which grants the Company exclusive access to certain VANE uranium exploration data and information as well as a first right of refusal covering seven of Vane's current uranium projects in Arizona and Utah. In exchange for this exclusive access and rights, the Company issued 3,000,000 common shares at a fair value of \$360,000 and has granted VANE certain back-in rights for any projects developed from the use of the data. The primary term of the agreement is five years and may be renewed by the Company by written notice for three successive renewal periods of three years each. Thus, the Company's access to this data may extend for 14 years.

The following table summarizes the continuity of the Company's intangible assets:

Balance, December 31, 2017	\$ -
Additions:	
Access and rights to the exploration data	360,000
Balance, December 31, 2018	360,000
Accumulated Amortization:	(25,714)
Balance, December 31, 2019	\$ 334,286

# 5. PURCHASE OF MINERAL PROPERTIES

On March 14, 2018, the Company completed the acquisition of Metamin Enterprises US Inc. ("MEUS"). The acquisition of MEUS was treated as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Consideration	
Cash Value of 3,000,000 common shares issued Transaction costs	\$ 280,123 150,000 11,631
	\$ 441,754

The cash payment was comprised of:

i) \$55,000 cash payment;

ii) \$110,185 payment to the vendor for reclamation bond repayment and;

iii) \$114,938 of property holding costs (incurred as deferred acquisition costs in fiscal year 2017).

\$ 2,501
110,185
336,994
 (7,926)
\$ 441,754
\$

# 6. MINERAL PROPERTIES

	McKinley, Crownpoint & Hosta Butte, New Mexico	Marquez & Nose Rock, Treeline, New Mexico	Moonshine Springs, Arizona	Metamin Properties	Other Properties, Utah & Wyoming	Total
Balance, December 31, 2017	\$ 2,779,986	\$ 683,532	\$ 209,299	<b>\$</b> -	\$ 262,008	\$ 3,934,825
Acquisition costs (Note 5)	-	-	-	336,994	-	336,994
Exploration costs: Maintenance fees	-	115,070	8,819	141,501	42,205	307,595
Currency translation adjustment	241,744	61,468	18,531	7,481	24,332	353,556
Balance, December 31, 2018	3,021,730	860,070	236,649	485,976	328,545	4,932,970
Exploration costs:						
Maintenance and lease fees	-	42,454	8,731	157,918	52,354	261,457
Personnel	-	-	-	28,409	-	28,409
Environmental and reclamation	-	-	-	18,050	-	18,050
Currency translation adjustment	(144,862)	(42,130)	(11,530)	(8,830)	(16,859)	(224,211)
Balance, December 31, 2019	\$ 2,876,868	\$ 860,394	\$ 233,850	\$ 681,523	\$ 364,040	\$ 5,016,675

#### Marquez, New Mexico

The Marquez project consists of private mineral leases located in McKinley and Sandoval counties of New Mexico.

#### Nose Rock, New Mexico

The Nose Rock Project is located in McKinley County, New Mexico, on the northern edge of the Grants Uranium District. The Nose Rock property consists of 42 owned unpatented lode mining claims.

# Moonshine Springs, Arizona

The Moonshine Springs project is located in Mohave County, Arizona. The project comprises 23 owned unpatented lode mining claims along with 7 unpatented lode mining claims under lease.

#### **Other Properties**

The White Canyon District, Utah property package includes the Geitus, Blue Jay, Marcy Look, and Cedar Mountain projects, which are located 40-65 miles to the northwest of the White Mesa Mill at Blanding County, Utah.

#### Crownpoint and Hosta Butte Properties

The Company owns a 100% interest in the approximately 113,000 acre McKinley properties and a 60% - 100% interest in the adjacent Crownpoint and Hosta Butte properties, all of which are located in McKinley County, New Mexico. The Company holds a 60% interest in a portion of a certain section at Crownpoint. The Company owns a 100% interest in the rest of the Crownpoint and Hosta Butte project. area, subject to a 3% gross profit royalty on uranium produced.

# 6. MINERAL PROPERTIES (Continued)

#### Metamin

During the year ended December 31, 2018, the Company entered into an agreement with Metamin Enterprises Inc. ("Metamin"), a private British Columbia company, to acquire Metamin's wholly owned subsidiary, "MEUS", which includes 13,605 acres of prospective uranium mining properties located in the States of Arizona, Utah and Wyoming, USA. Pursuant to the agreement, the Company paid Metamin \$55,000 in cash and \$114,938 in property holding costs, replaced a \$110,185 (\$85,500 USD) cash bond and issued 3,000,000 common shares at a fair value of \$150,000 as consideration for the acquisition. As at December 31, 2019, the Company holds a reclamation bond of \$111,047 (\$85,500 USD) (December 31, 2018 - \$116,639 (\$85,500 USD)) related to the property.

# 7. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common and preferred shares without par value.

In May 2019, the Company completed a private placement and issued 17,865,878 units at a price of \$0.15 per unit, for gross proceeds of \$2,679,882. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share at a price of \$0.225 for a period of three years. The warrants may be accelerated under certain terms if the stock closes for 15 trading days at \$0.45 or more. The Company paid commissions totaling \$147,471, other cash costs of \$20,113 and issued 938,272 finders' warrants valued at \$103,210. The finder's warrants are exercisable into one common share of the Company at a price of \$0.15 for three years from closing.

During the year ended December 31, 2019, the Company issued:

- i) 3,775,001 common shares on the exercise of warrants for proceeds of \$316,833;
- ii) 3,837,500 common shares on the exercise of stock options for proceeds of \$193,750; and

During the year ended December 31, 2019, 191,650 shares were subscribed for stock options exercise for total proceeds of \$19,165. The shares were issued subsequently.

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

- i) 3,000,000 common shares valued at \$150,000 for the purchase of mineral properties (Note 5);
- ii) 3,000,000 common shares valued at \$360,000 for the acquisition of intangible assets (Note 4); and
- iii) 833,334 common shares on the exercise of warrants for proceeds of \$83,333.

#### Stock options

The Company has adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The number of shares reserved for issuance under the plan cannot exceed 10% of the outstanding common shares at the time of the grant. The options can be granted for a maximum of five years and vest as determined by the Board of Directors.

# 7. SHARE CAPITAL (cont'd)

# Stock options (cont'd)

The Company's stock options outstanding as at December 31, 2019 and the changes for the years then ended, are as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, December 31, 2017	4,725,000	\$ 0.06
Granted	815,000	0.06
Forfeited/expired	(30,000)	0.08
Balance, December 31, 2018	5,510,000	0.06
Granted	4,765,000	0.15
Exercised	(3,837,500)	0.05
Forfeited/expired	(97,500)	0.06
Balance, December 31, 2019	6,340,000	\$ 0.13
Exercisable, December 31, 2019	2,585,000	\$ 0.11

As at December 31, 2019, incentive stock options outstanding were as follows:

	Outstanding	Exercise Price
Expiry Date	Options	(\$)
January 6, 2021	400,000	0.05
May 11, 2022	450,000	0.10
May 15, 2023	725,000	0.06
January 8, 2024	420,000	0.125
March 27, 2024	200,000	0.135
June 3, 2024	4,145,000	0.15
	6,340,000	0.13

During the year ended December 31, 2019, the Company granted an aggregate of 4,765,000 (2018 - 815,000) stock options to directors, officers and consultants of the Company with a weighted average exercise price of \$0.15 (2018 - \$0.06). The options vest 25% every six months commencing six months after the grant date.

During the year ended December 31, 2019, the Company recognized stock option expense of \$401,615 (2018 - \$38,330) for the vested portion of the stock options.

# 7. SHARE CAPITAL (cont'd)

# Stock options (cont'd)

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2019	2018
Risk-free interest rate	1.35%	2.31%
Expected life of option	5 years	5 years
Expected dividend yield	0%	0%
Expected stock price volatility	158.61%	189.5%
Fair value per option	\$0.13	\$0.06

#### Share purchase warrants

The Company's share purchase warrants outstanding as at December 31, 2019 and the changes for the years then ended, are as follows:

	Outstandin Warrant	
Balance, December 31, 2017	21,516,669	\$ 0.10
Exercised	(833,334)	0.10
Balance, December 31, 2018	20,683,335	0.10
Granted	10,629,545	0.21
Exercised	(3,775,001)	0.08
Balance, December 31, 2019	27,537,879	\$ 0.14

As at December 31, 2019, share purchase warrants outstanding were as follows:

	Outstanding	Exercise Price
Expiry Date	Options	(\$)
February 15, 2020 (*)	17,666,667	0.10
May 10, 2022	8,932,940	0.23
May 10, 2022	938,272	0.15
	27,537,879	0.14

\*15,416,617 share purchase warrants were exercised subsequent to December 31, 2019 (Note 15).

# 7. SHARE CAPITAL (cont'd)

#### Share purchase warrants (cont'd)

\* These finders' warrants were exercisable into units comprised of a common share and one-half of a share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of \$0.10 per share until February 15, 2020. These finders' warrants were exercised during the year ended December 31, 2019, resulting in the issue of 758,333 new warrants exercisable at \$0.10 until February 15, 2020.

During the year ended December 31, 2019, the Company issued 938,272 finders' warrants with a fair market value of \$103,210 or \$0.11 per warrant which was recorded as share issue costs. The following weighted average assumptions were used for the Black-Scholes valuation of the finders' warrants for the year ended December 31, 2019:

	2019
Risk-free interest rate	1.62%
Expected life of warrant	3 years
Expected dividend yield	0%
Expected stock price volatility	151.0%
Fair value per warrant	\$ 0.11

No finders' warrants were granted during the year ended December 31, 2018.

#### 8. RELATED PARTY TRANSACTIONS

Related parties include the Directors and Officers of the Company (key management) and any entities controlled by these individuals. Related parties also include other entities providing key management services to the Company.

The amounts paid or payable to key management or entities providing similar services during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Staff costs	\$ 408,493	\$ 77,275
Office and administration	25,500	35,000
Stock option expense	304,346	29,703
Total key management compensation	\$ 699,568	\$ 141,978

During the year ended December 31, 2019, staff costs include \$242,784 in Directors' bonuses declared in recognition of past services provided to the Company (2018 – \$nil).

As at December 31, 2019, \$311,712 was owing to a company controlled by the Chief Executive Officer for key management services rendered (2018 - \$245,556).

# 9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to support the exploration and evaluation of its mineral properties and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019, and the Company is not subject to any externally imposed capital requirements.

# **10. FINANCIAL INSTRUMENTS**

Financial instruments include cash and receivables and any contract that gives rise to a financial asset to one party and a financial liability or equity instrument to another party. Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs based on prices or valuation techniques that are not based on observable market data.

Cash is measured at Level 1 of the fair value hierarchy. The Company classifies its receivables as financial assets measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as financial liabilities measured at amortized cost. The carrying amounts of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to the short-term nature of the financial instruments.

Discussions of risks associated with financial assets and liabilities are detailed below:

# Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure but has no hedge positions. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities, and due to related parties that are denominated in US dollars. At December 31, 2019, a 10% change in the value to the US dollar as compared to the Canadian dollar would affect net loss and shareholders' equity by approximately \$41,000.

# **Credit Risk**

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank.

# **10. FINANCIAL INSTRUMENTS** (cont'd)

#### **Market Risk**

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company's ability to raise capital to fund exploration.

# **Interest Rate Risk**

Interest rate risk mainly arises from the Company's cash, which receives interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are not significant.

# **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than 90 days. The Company prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

# 11. SEGMENTED INFORMATION

The Company operates in a single segment: the acquisition and exploration of mineral properties in the United States.

#### 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2019 include the following:

- a) Transferred \$167,672 from contributed surplus to share capital on exercise of 1,516,667 finders' warrants;
- b) Transferred \$69,150 from contributed surplus to share capital on exercise of 3,837,500 stock options;
- c) Issued 938,272 finders' warrants valued at \$103,210 in connection with the private placement; and
- d) Allocated \$267,988 from share capital to contributed surplus relating to unit warrants from the private placement.

Significant non-cash transactions for the year ended December 31, 2018 include the following:

- a) Issued 3,000,000 common shares valued at \$360,000 related to the acquisition of intangible assets;
- b) Issued 3,000,000 common shares valued at \$150,000 in connection with the acquisition of Metamin;
- c) Applied deferred acquisition costs of \$114,938 towards the acquisition cost of Metamin, which were recorded as exploration and evaluation assets; and
- d) Recorded \$38,330 in stock option expense.

# **13.** COMMITMENTS

The Company has entered into a lease agreement for its premises in Utah, USA. The annual lease commitments are USD\$3,000. The Company has adopted IFRS 16 Leases ("IFRS 16") which is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements.

# 14. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	 2019	2018
Loss before income taxes	\$ (1,372,678)	\$ (402,780)
Expected income tax (recovery)	(371,000)	(109,000)
Change in statuary foreign tax, foreign exchange rates and other	(17,000)	(27,000)
Permanent differences	111,000	10,000
Share issue costs	(45,000)	-
Change in unrecognized deductible temporary differences	322,000	126,000
Total income tax expense (recovery)	\$ -	\$ -

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

	2019	2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 21,000	\$ 23,000
Property and equipment	27,000	28,000
Share issuance costs	54,000	26,000
Allowable capital loss	696,000	696,000
Change in unrecognized deductible temporary differences	1,640,000	1,367,000
	2,438,000	2,140,000
Unrecognized deferred tax assets	(2,438,000)	(2,140,000)
	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		Expiry		Expiry
	 2019	date range	2018	date range
Temporary Differences				
Exploration and evaluation				
assets	\$ 100,000	No expiry	\$ 110,000	No expiry
Property and equipment	99,000	No expiry	103,000	No expiry
Share issuance costs	199,000	2020 to 2023	97,000	2019 to 2021
Allowable capital loss	2,579,000	No expiry	2,579,000	No expiry
Non-capital losses available				
for future period	6,109,000	2028 to 2039	5,085,000	2028 to 2038

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

# 15. SUBSEQUENT EVENTS

- a) Subsequent to the year ended December 31, 2019, 15,416,667 common shares were issued on the exercise of share purchase warrants for gross proceeds of \$1,541,667.
- b) In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.
- c) In March 2020, the Company granted 50,000 stock options to an officer. The options were granted for a period of five years and will allow the holder to purchase a common share of the Company at an exercise price of \$0.115.
- d) In March 2020, the Company signed a Letter of Intent ("LOI") with EnviroLeach Technologies Inc. and Golden Predator Mining Corp. to establish Group 11 Technologies Inc., a US-based technology firm focused primarily on non-invasive extraction technology utilizing environmentally friendly liquids to recover gold and other metals.