



## **Group Eleven Resources Corp.**

Consolidated Financial Statements

December 31, 2018

Expressed in Canadian Dollars

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Group Eleven Resources Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Group Eleven Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company will need to raise additional funds to maintain its current level of operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *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 David Harris.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 26, 2019

**GROUP ELEVEN RESOURCES CORP.**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars, unless otherwise stated)

As at December 31

	2018	2017
<b>Assets</b>		
Current Assets		
Cash	\$ 1,936,921	\$ 5,050,079
Prepaid expenses	84,911	82,642
Other receivables (Note 6)	84,816	153,213
Total Current Assets	2,106,648	5,285,934
Non-Current Assets		
Equipment (Note 7)	25,889	10,912
Exploration and evaluation assets (Note 8)	8,897,821	8,897,821
<b>Total Assets</b>	<b>\$ 11,030,358</b>	<b>\$ 14,194,667</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 557,136	\$ 641,187
Total Liabilities	557,136	641,187
Equity		
Share capital (Note 10)	13,027,584	13,027,584
Reserves (Note 10)	833,445	680,669
Deficit	(6,561,119)	(3,202,592)
Total Shareholders' Equity	7,299,910	10,505,661
Non-controlling interest (Note 11)	3,173,312	3,047,819
Total Equity	10,473,222	13,553,480
<b>Total Liabilities and Equity</b>	<b>\$ 11,030,358</b>	<b>\$ 14,194,667</b>

**Nature and continuance of operations (Note 1)****Subsequent events (Note 17)**

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

**GROUP ELEVEN RESOURCES CORP.**

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars, unless otherwise stated)

For the years ended December 31

	2018	2017
<b>Operating expenses</b>		
Exploration expenditures (Note 8)	\$ 1,502,015	\$ 616,706
Salaries and benefits (Note 14)	733,444	117,815
Management fees (Note 14)	114,153	216,944
Marketing and investor relations	574,348	48,360
General and administrative	349,984	288,131
Professional fees (Note 14)	299,110	818,343
Depreciation (Note 7)	10,317	5,794
Foreign exchange gain	(19,876)	(55,771)
Interest income	(38,154)	(3,576)
Share-based payments (Note 10 and 14)	152,776	399,291
<b>Loss and comprehensive loss for the year</b>	<b>\$ (3,678,117)</b>	<b>\$ (2,452,037)</b>
<b>Loss attributable to:</b>		
Shareholders	\$ (3,358,527)	\$ (2,408,268)
Non-controlling interest (Note 11)	(319,590)	(43,769)
	<b>\$ (3,678,117)</b>	<b>\$ (2,452,037)</b>
<b>Basic and diluted loss per common share attributable to shareholders</b>	<b>\$ (0.06)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of common shares outstanding</b>	<b>59,777,477</b>	<b>35,188,801</b>

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

**GROUP ELEVEN RESOURCES CORP.**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

	Share Capital		Reserves	Deficit	Total Shareholders'	Non-	Total
	Shares	Amount			Equity	controlling	Equity
						Interest	
<b>Balance, December 31, 2016</b>	<b>24,012,755</b>	<b>\$ 2,084,011</b>	<b>\$ 297,090</b>	<b>\$ (853,174)</b>	<b>\$ 1,527,927</b>	<b>\$ –</b>	<b>\$ 1,527,927</b>
Shares issued for private placement	16,848,089	5,310,109	–	–	5,310,109	–	5,310,109
Shares issued on initial public offering	12,500,000	5,000,000	–	–	5,000,000	–	5,000,000
Shares issued to acquire exploration assets	3,833,333	1,150,000	–	–	1,150,000	–	1,150,000
Share issuance costs	–	(646,460)	–	–	(646,460)	–	(646,460)
Share issue costs – agents' warrants	–	(115,022)	115,022	–	–	–	–
Non-controlling interest on acquisition of Ballinalack Resources Limited (Note 4)	–	–	–	–	–	2,433,333	2,433,333
Non-controlling interest on acquisition of TILZ Minerals Ltd. (Note 5)	–	–	–	–	–	658,255	658,255
Stock option exercises	2,583,300	244,946	(71,884)	–	173,062	–	173,062
Stock option expiries	–	–	(58,850)	58,850	–	–	–
Share-based payments	–	–	399,291	–	399,291	–	399,291
Loss for the year	–	–	–	(2,408,268)	(2,408,268)	(43,769)	(2,452,037)
<b>Balance, December 31, 2017</b>	<b>59,777,477</b>	<b>13,027,584</b>	<b>680,669</b>	<b>(3,202,592)</b>	<b>10,505,661</b>	<b>3,047,819</b>	<b>13,553,480</b>
Share-based payments	–	–	152,776	–	152,776	–	152,776
Contributions from Non-controlling interest	–	–	–	–	–	445,083	445,083
Loss for the year	–	–	–	(3,358,527)	(3,358,527)	(319,590)	(3,678,117)
<b>Balance, December 31, 2018</b>	<b>59,777,477</b>	<b>\$ 13,027,584</b>	<b>\$ 833,445</b>	<b>\$ (6,561,119)</b>	<b>\$ 7,299,910</b>	<b>\$ 3,173,312</b>	<b>\$ 10,473,222</b>

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

**GROUP ELEVEN RESOURCES CORP.**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars, unless otherwise stated)  
For the years ended December 31

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (3,678,117)	\$ (2,452,037)
Items not affecting cash:		
Depreciation	10,317	5,794
Share-based payments	152,776	399,291
Changes in non-cash working capital items:		
Prepaid expenses	(2,269)	(79,815)
Other receivables	68,397	(140,442)
Accounts payable and accrued liabilities	(84,051)	431,683
<b>Net cash used in operating activities</b>	<b>(3,532,947)</b>	<b>(1,835,526)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	-	(4,650,000)
Purchase of equipment	(25,294)	(3,832)
<b>Net cash used in investing activities</b>	<b>(25,294)</b>	<b>(4,653,832)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from shares issuances	-	9,663,649
Contributions from non-controlling interest	445,083	-
Proceeds from exercise of stock options	-	173,062
<b>Net cash provided by financing activities</b>	<b>445,083</b>	<b>9,836,711</b>
<b>Change in cash</b>	<b>(3,113,158)</b>	<b>3,347,353</b>
<b>Cash, beginning of the year</b>	<b>5,050,079</b>	<b>1,702,726</b>
<b>Cash, end of the year</b>	<b>\$ 1,936,921</b>	<b>\$ 5,050,079</b>
<b>Supplemental Cash Flow Information:</b>		
Shares issued to acquire exploration and evaluation assets	\$ -	\$ 1,000,000
Shares issued for payment of transaction costs for the acquisition of exploration and evaluation assets	-	150,000
Shares issued for payment of financing fees	-	160,500
Agents warrants issued for payment of financing fees	-	115,022
Exploration and evaluation assets attributable to non-controlling interests	-	3,091,588

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



## **GROUP ELEVEN RESOURCES CORP.**

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars, unless otherwise stated)  
As at December 31, 2018

### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Group Eleven Resources Corp. (the "Company" or "GERC") was incorporated under the laws of the Province of British Columbia, Canada on November 25, 2016, and its principal business activity is the exploration and evaluation of mineral properties. The Company's corporate office is located at 1050 – 400 Burrard Street, Vancouver, British Columbia. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol ZNG and on the OTCQB under the symbol GRLVF.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses since inception and has no source of recurring revenue. The success of the Company is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon establishing future profitable production, or realization of proceeds on disposal.

Management recognizes that the Company will need to raise additional funds to maintain its current level of operations and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. A failure to raise capital when required could cause a deferral or delay in the current exploration projects, have a material adverse effect on the Company's business, financial condition and results of operations and could ultimately cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### *(a) Basis of Presentation*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. On April 26, 2019, the Board of Directors of the Company approved these consolidated financial statements for the years ended December 31, 2018 and 2017.

#### *(b) Basis of Consolidation*

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Group Eleven Resources Ltd. ("GERL") and Group Eleven Mining and Exploration Inc. ("GEME"), a 60% interest in Ballinalack Resources Limited, and a 76.56% interest in TILZ Minerals Ltd., all incorporated in Dublin, Ireland. All inter-company transactions and accounts have been eliminated upon consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### *(c) Foreign Currencies*

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is also the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Exchange differences arising on the translation of

## GROUP ELEVEN RESOURCES CORP.

Notes to the Consolidated Financial Statements  
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### 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

(d) *Cash*

Cash comprises of cash on hand and demand deposits.

(e) *Financial Instruments*

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company's new accounting policy for financial instruments under IFRS 9:

#### *Classification*

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 receivable 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.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	FVTPL	FVTPL
Other receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

#### *Measurement*

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

## **GROUP ELEVEN RESOURCES CORP.**

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars, unless otherwise stated)  
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### **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### *Financial assets and liabilities 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 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.

#### *(f) Equipment*

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The major categories of equipment noted below are depreciated over their estimated useful life using the following annual rates and methods:

- Computer software and hardware – 3 years straight line
- Exploration equipment – 5 years straight line

Depreciation expense of assets used in exploration are recorded to exploration expenditures. Management reviews the estimated useful lives, residual values and depreciation methods at the end of each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

#### *(g) Exploration and Evaluation Assets*

All costs related to the acquisition of mineral properties are capitalized by property. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs,

## **GROUP ELEVEN RESOURCES CORP.**

Notes to the Consolidated Financial Statements  
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### **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

geological studies, drilling costs, payments made to contractors and depreciation of equipment during the exploration phase.

Mineral property acquisition costs for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful exploration and development of the mineral property or alternatively, by sale; or
- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however; active and significant operations in relation to the mineral property are continuing or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined and the Company has made a decision to proceed with development, the property is considered to be a mine under development and is classified as "mining assets", within PP&E. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

#### *(h) Impairment of Tangible and Intangible Assets*

At the end of each reporting period the carrying amounts of the Company's 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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, 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.

#### *(i) Share Capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Equity financing transactions may involve issuance of common shares or units. A unit comprises a

## **GROUP ELEVEN RESOURCES CORP.**

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars, unless otherwise stated)  
As at December 31, 2018

### **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into

additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

#### *(j) Share-based Payment Transactions*

The cost of stock options and other equity-settled share-based payment arrangements are recorded based on the estimated fair value at the grant date and charged to earnings over the vesting period. The Company uses the fair value method for accounting for stock-based awards to employees, defined as persons classified as employees for legal or tax purposes (direct employee) or alternatively a person providing services similar to those performed by a direct employee. Under the fair value method, compensation expenses attributed to the direct award of stock options to employees are measured at fair value on the grant date for each tranche using an option pricing model and are usually recognized over the vesting period of the award. 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.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

#### *(k) Deferred share units*

The Company has established a deferred share plan under which deferred share units ("DSUs") are granted to non-executive directors of the Company as part of long-term incentive compensation and settled in cash at the time a director ceases to be a director of the Company. The fair value of DSUs is based on the five-day volume weighted average trading price of the Company's common shares immediately prior to the relevant date ("Market Price"), starting on the date of grant. A liability for outstanding share units is subsequently adjusted for changes in market price at each reporting date until settlement, with a corresponding charge to profit or loss.

#### *(l) Non-controlling Interest*

Non-controlling interest in the Company's less than wholly owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to each subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

#### *(m) Income Taxes*

Income tax 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, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

## **GROUP ELEVEN RESOURCES CORP.**

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars, unless otherwise stated)  
As at December 31, 2018

### **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

#### *(n) Loss per Share*

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants and convertible loan, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the convertible loans were converted and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, the calculations proved to be anti-dilutive.

#### *(o) Significant Accounting Estimates and Judgments*

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii. The inputs used in calculating the fair value for share-based payment expense included in profit or loss and comprehensive loss and statement of shareholders' equity. The share-based payment expense is estimated using the Black-Scholes option-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly

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### **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

#### *Critical accounting judgments*

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company's principal critical accounting judgment is the determination of functional currency for the parent entity and each of its subsidiaries. Determination of functional currency involves certain judgments to determine the primary economic environment in which each entity operates. This determination is reassessed if there is a change in events and conditions which were used in the determination of the primary economic environment.

The parent and subsidiary entities have a Canadian dollar functional currency.

### **3. ADOPTION OF NEW ACCOUNTING STANDARDS**

IFRS 16, published on January 13, 2016, supersedes IAS 17 – Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless a lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease obligations related to its lease commitments for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of retained earnings. The Company intends to apply the following practical expedients permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

The Company has determined that adopting IFRS 16 will not have a material impact on its consolidated financial statements.

### **4. ACQUISITION OF BALLINALACK RESOURCES LIMITED**

On June 30, 2017 the Company acquired, through GERL, a 60% interest in Ballinalack Resources Limited ("Ballinalack") from Teck Ireland Ltd. ("TIL"), a wholly owned subsidiary of Teck Resources Limited. Ballinalack holds a 100% interest in eleven prospecting licenses covering the Ballinalack Zinc Project located in Counties Westmeath and Longford, Ireland. The 60% interest effectively represents a 60% interest in the underlying prospecting licenses. The remaining 40% interest in Ballinalack is held by Shenzhen Zhongjin Lingnan Nonfermet Company Limited.

As consideration the Company issued 3,333,333 common shares of the Company with a value of \$0.30 per share and paid an additional \$2,500,000 in cash proceeds. The Company has also signed a royalty agreement providing a net smelter return ("NSR") to TIL of 1.5% on 60% of the future production from Ballinalack. The Company can repurchase 0.5% of the NSR with a cash payment of \$2,000,000.

The Company has accounted for the acquisition as a purchase of an entity with assets and liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations. The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

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**4. ACQUISITION OF BALLINALACK RESOURCES LIMITED, CONTINUED**

<b>Purchase Price</b>	
Cash	\$ 2,500,000
Common shares issued (3,333,333 shares)	1,000,000
Advisory fee (Note 14)	150,000
	<b>\$ 3,650,000</b>
<b>Net Assets Acquired</b>	
Current assets, net of current liabilities	\$ (2,963)
Exploration and evaluation assets	6,086,296
Non-controlling interest	(2,433,333)
	<b>\$ 3,650,000</b>

**5. ACQUISITION OF TILZ MINERALS LTD.**

On September 8, 2017 the Company acquired, through GERL, a 76.56% interest in TILZ Minerals Ltd ("TILZ") from TIL. TILZ holds a 100% interest in six prospecting licenses covering the Stone Park Project located in Limerick County, Ireland. The 76.56% interest effectively represents a 76.56% interest in the underlying prospecting licenses. The remaining 23.44% interest in TILZ is held by Connemara Mining plc.

As consideration the Company paid \$2,150,000 in cash proceeds and signed a royalty agreement providing a net smelter return to TIL of 4.5% on 76.56% of the future production from TILZ. The Company has the following buy-back provisions with respect to the royalty agreement:

- 0.5% of the NSR can be repurchased for \$2,000,000 at any time,
- 1.0% of the NSR can be repurchased for \$1,000,000 on completion of a preliminary economic assessment,
- 1.0% of the NSR can be repurchased for \$1,000,000 on completion of a preliminary feasibility study,
- 1.0% of the NSR can be repurchased for \$3,000,000 on completion of a bankable economic assessment.

The Company has accounted for the acquisition as a purchase of an entity with assets and liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations. The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

<b>Purchase Price</b>	
Cash	\$ 2,150,000
	<b>\$ 2,150,000</b>
<b>Net Assets Acquired</b>	
Current assets, net of current liabilities	\$ (3,270)
Exploration and evaluation assets	2,811,525
Non-controlling interest	(658,255)
	<b>\$ 2,150,000</b>

**6. OTHER RECEIVABLES**

Other receivables consist of recoverable amounts paid for value added tax and goods and services tax charged to the Company on purchases of goods or services.



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**7. EQUIPMENT**

	Computer Equipment	Computer Software	Exploration Equipment	Total
<b>Cost</b>				
Balance, January 1, 2017	\$ 1,578	\$ 13,190	\$ –	\$ 14,768
Additions	3,832	–	–	3,832
Balance, December 31, 2017	5,410	13,190	\$ –	18,600
Additions	–	–	25,294	25,294
<b>Balance, December 31, 2018</b>	<b>\$ 5,410</b>	<b>\$ 13,190</b>	<b>\$ 25,294</b>	<b>\$ 43,894</b>
<b>Accumulated Depreciation</b>				
Balance, January 1, 2017	\$ –	\$ 1,894	\$ –	\$ 1,894
Depreciation	1,397	4,397	–	5,794
Balance, December 31, 2017	1,397	6,291	–	7,688
Depreciation	1,804	4,397	4,116	10,317
<b>Balance, December 31, 2018</b>	<b>\$ 3,201</b>	<b>\$ 10,688</b>	<b>\$ 4,116</b>	<b>\$ 18,005</b>
<b>Net Book Value</b>				
Balance, December 31, 2017	\$ 4,013	\$ 6,899	\$ –	\$ 10,912
<b>Balance, December 31, 2018</b>	<b>\$ 2,209</b>	<b>\$ 2,502</b>	<b>\$ 21,728</b>	<b>\$ 25,889</b>

**8. EXPLORATION AND EVALUATION ASSETS**

All of the Company's exploration and evaluation assets are located in Ireland.

	Cumulative to December 31, 2016	Expenditures during the year	Cumulative to December 31, 2017	Expenditures during the year	Cumulative to December 31, 2018
<b>Acquisition costs</b>					
Exploration and evaluation assets acquired	\$ –	\$ 8,897,821	\$ 8,897,821	\$ –	\$ 8,897,821
<b>Total acquisition costs</b>	<b>\$ –</b>	<b>\$ 8,897,821</b>	<b>\$ 8,897,821</b>	<b>\$ –</b>	<b>\$ 8,897,821</b>

	Cumulative to December 31, 2016	Expenditures during the year	Cumulative to December 31, 2017	Expenditures during the year	Cumulative to December 31, 2018
<b>Exploration expenditures</b>					
License fees	\$ 77,810	\$ 37,908	\$ 115,718	\$ 32,250	\$ 147,968
Assays	1,373	12,631	14,004	244,326	258,330
Data compilation	36,943	169,792	206,735	164,519	371,254
Drilling	53,846	141,147	194,993	316,806	511,799
Equipment	1,320	100,094	101,414	138,884	240,298
Fieldwork	1,607	25,043	26,650	225,464	252,114
Geology consulting	20,621	23,054	43,675	51,598	95,273
Geophysical surveys	7,338	85,985	93,323	229,950	323,273
Sampling supplies	337	20,567	20,904	4,707	25,611
Technical supervision	855	485	1,340	93,511	94,851
<b>Total exploration expenditures</b>	<b>\$ 202,050</b>	<b>\$ 616,706</b>	<b>\$ 818,756</b>	<b>\$ 1,502,015</b>	<b>\$ 2,320,771</b>

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### **8. EXPLORATION AND EVALUATION ASSETS, CONTINUED**

a) *Tralee*

Tralee is comprised of fifteen licences that were obtained by the Company on December 18, 2015 and expire December 17, 2021 whereupon they can be renewed subject to the Company achieving the spending requirements as outlined below. Eleven of the licences are classified as incentive licenses, defined as ground which has been unclaimed for more than four years. The remaining four are classified as standard licenses, defined as ground which has remained unclaimed for less than four years. Both classifications require escalating expenditures over each successive two-year period during their six year term in order to be eligible for renewal, increasing from a minimum of €2,500 per license up to a maximum €20,000 ("Minimum Spending Requirements").

b) *Carrickittle and PG West*

Carrickittle and PG West is comprised of thirty-four licences that were obtained by the Company over various dates. The two Gortdrum related licences were obtained on February 12, 2016, another nine were obtained in September 2016 and the remaining twenty-three in November 2016, each expiring six years from the date obtained. Nine of the licences are classified as incentive licences and the remaining twenty-five are classified as standard licences. The licences renew subject to the Company achieving the Minimum Spending Requirements.

c) *Silvermines*

Silvermines is comprised of five licences that were obtained by the Company on September 27, 2016 and expire on September 26, 2022. Three of the licences are classified as incentive licenses and the remaining two are classified as standard licences. The licences are renewable subject to the Company achieving the Minimum Spending Requirements.

An additional sixteen licences for the Silvermines North section of the property were obtained in two parts – seven on January 18, 2017 and the remaining nine on March 27, 2017, each expiring six years from the date obtained. One of the licences is classified as an incentive licence and the remaining fifteen are classified as standard licences. The licences are renewable subject to the Company achieving the Minimum Spending Requirements that are applicable.

d) *Ferbane and Kilkenny*

These projects are comprised of twelve licences in total. The three Ferbane licenses were received on February 13, 2017 under a competition license and have escalating expenditure requirements over each successive two-year period, starting at €10,000 per license up to €20,000 per license in the final two years.

The Kilkenny licenses were received on March 30, 2017 and consist of one standard license and eight incentive licenses, renewing based on the Company achieving the applicable Minimum Spending Requirements. All Ferbane and Kilkenny licenses expire six years from the date of grant. These licenses were subsequently not renewed on the March 30, 2019 renewal date.

e) *Ballinalack*

The Ballinalack project was acquired on June 30, 2017 (see note 4) and is comprised of ten licenses located in Counties Westmeath and Longford, north-east Ireland. The Company has a 60% interest in Ballinalack Resources Ltd., which owns the Ballinalack project, through GERL, a wholly owned subsidiary. The licenses expire between November 29, 2019 and December 18, 2023. The Company is required to spend a total of €500,000 on the property prior to October 31, 2019 to maintain eligibility for renewal.

f) *Stonepark*

The Stonepark project was acquired on September 8, 2017 (see note 5) and is comprised of six

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### 8. EXPLORATION AND EVALUATION ASSETS, CONTINUED

licenses, expiring between April 27, 2020 and January 30, 2021, located in Country Limerick, south central Ireland. The Company has a 76.56% interest in TILZ Minerals Limited, which owns the Stonepark project, through GERL, a wholly owned subsidiary.

### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	2018	2017
Accounts payable	\$ 391,821	\$ 537,919
Accrued liabilities	165,315	103,268
<b>Accounts payable and accrued liabilities</b>	<b>\$ 557,136</b>	<b>\$ 641,187</b>

### 10. SHARE CAPITAL

#### a) Share capital

**Authorized:** an unlimited number of common shares with no par value.

**Issued:** 59,777,477 common shares.

The Company issued the following shares during the year ended December 31, 2017:

- From January 20 to February 6, 2017, 540,301 common shares were issued at a cash price of \$0.21 (€0.15 equivalent) per share for gross proceeds of \$115,148.
- From June 12 to 22, 2017, 12,781,538 common shares were issued at a cash price of \$0.30 per share for gross proceeds of \$3,834,461.
- On June 30, 2017, 3,333,333 common shares were issued at a value of \$0.30 per share in consideration for the purchase of Ballinalack (Note 4).
- From August 31 to September 26, 2017, 3,000,000 common shares were issued at a cash price of \$0.40 per share for gross proceeds of \$1,200,000. The Company paid finders' fees of 6% on \$175,000, payable in shares (26,250) of the Company based on an issue price of \$0.40 per share. An additional 1,000,000 common shares were issued at a cash equivalent price of \$0.30 per share (\$300,000) for transaction services provided pursuant to an advisory agreement (Note 14).
- On December 14, 2017, the Company issued 12,500,000 units pursuant to an initial public offering ("IPO") comprising one common share and one common share purchase warrant at a price of \$0.40 per unit. Each warrant entitles the holder to acquire one additional common share of the Company for \$0.60 per share on or before December 13, 2018. The Company paid a commission of \$443,450 in connection with the IPO and issued 750,000 agent warrants with a fair value of \$115,022. Each agent warrant entitles the holder to acquire one common share of the Company for \$0.40 per share on or before June 14, 2019.
- On December 18, 2017, the Company granted 2,583,300 common shares for the exercise of stock options for gross proceeds of \$173,062.

The Company did not issue any shares during the year ended December 31, 2018.

#### b) Escrowed Shares

As a condition to the completion of the Company's IPO in 2017, pursuant to the escrow provisions of the Canadian Securities Administrators, a total of 15,892,711 common shares held by Principals, defined as directors, officers, and MAG Silver Corp ("MAG"), were required to be held in escrow in accordance with the national escrow regime applicable to initial public distributions. An additional 4,750,000 common shares were subject to the "seed share resale restrictions" imposed by

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**10. SHARE CAPITAL, CONTINUED**

applicable policies of the TSX-V. The seed share resale restrictions required the escrow of 4,350,000 of the common shares which will vest on the same terms as the Principals and the remaining 400,000 common shares were subject to a four month hold period which expired on April 14, 2018.

In the event the 4,632,950 shares are issued to MAG upon exercise of warrants held (Note 10(d)), these shares will also be subject to the escrow requirements and held in trust.

As at December 31, 2018, 12,118,947 common shares were held in escrow and will be released pursuant to the schedule below:

<b>Date</b>	<b>Percent</b>	<b>Amount</b>
June 13, 2019	15%	3,046,412
December 13, 2019	15%	3,024,712
June 13, 2020	15%	3,023,912
December 13, 2020	15%	3,023,911
<b>Total</b>		<b>12,118,947</b>

*c) Stock options*

The Company has a stock option plan (the "Plan") that authorizes the Board of Directors to grant options to directors, officers, employees and consultants. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan is 10% of the issued shares of the Company at the time of granting the options. The maximum number of stock options granted to any one individual in a 12-month period may not exceed 5% of the outstanding common shares of the Company. The maximum number of stock options granted to any one consultant or an individual providing investor relations services in a 12-month period may not exceed 2% of the outstanding common shares of the Company. Options granted to consultants or individuals providing investor relations services will vest over at least 12 months with no more than one-quarter of the options vesting in any three month period. The exercise price of each option will be determined by the Board, subject to the approval of the TSX-V if necessary. Options granted will have a term not to exceed five years and, except for where previously noted, are subject to vesting provisions as determined by the Board.

Total stock options granted during the year ended December 31, 2018 was 3,505,000 (2017 – 2,050,000). Total share-based payments expense recognized for options granted and vested during the year was \$152,776 (2017 - \$268,465). In connection with the 2017 IPO, all stock options, excluding the options held by MAG, were either exercised or expired. The expiration date for the 4,632,950 options, held by MAG, were revised prior to the closing of the IPO from November 1, 2018 for 3,382,950 options and August 31, 2019 for the remaining 1,250,000 options to December 14, 2019, two years from the closing of the IPO. As well, the options were re-characterized to warrants. In connection with the modification the Company recorded an additional share-based payment expense of \$130,826 in 2017.

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**10. SHARE CAPITAL, CONTINUED**

Stock option transactions are summarized as follows.

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2016	5,882,950	\$ 0.15
Granted	2,050,000	0.35
Expired	(716,700)	0.22
Exchanged to warrants	(4,632,950)	0.27
Exercised	(2,583,300)	0.07
Balance, December 31, 2017	–	–
Granted	3,505,000	0.22
Balance, December 31, 2018	3,505,000	\$ 0.22

Number of Options Outstanding	Weighted Average Remaining Life (Years)	Exercise Price (\$)	Number of Options Currently Exercisable	Expiration Date
300,000	4.14	0.40	100,000	February 19, 2023
30,000	4.20	0.40	10,000	March 13, 2023
2,625,000	4.68	0.20	875,000	September 6, 2023
350,000	4.68	0.20	–	September 6, 2023
200,000	4.68	0.20	100,000	September 6, 2023

The fair value of stock options granted were estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2018	December 31, 2017
Risk free interest rate	0%	0%
Expected life of options	5 Years	1 – 2 Years
Expected dividend yield	Nil	Nil
Expected stock price volatility	80%	51 – 65%
Weighted average fair value per option granted	\$ 0.09	\$ 0.13

*d) Deferred Share Units (DSU)*

The Board adopted the DSU Plan effective as of January 1, 2018. Upon vesting, each DSU awarded entitles the DSU holder to receive, subject to adjustment as provided for in the DSU Plan, a lump sum cash payment. For the purposes of the DSU Plan, the value of the DSU on the grant date is the market price, being the five-day volume weighted average price of the common shares immediately preceding the grant date. If the common shares are not trading on the TSX-V, then the Market Value shall be determined in the same manner based on the trading price on such stock exchange or over-the-counter market on which the common shares are listed and posted for trading as may be selected for such purpose by the Board. The Company did not grant any DSU's during the year ended December 31, 2018.

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**10. SHARE CAPITAL, CONTINUED**e) *Warrants*

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	–	\$ –
Granted	13,250,000	0.50
Exchanged from options	4,632,950	0.26
Balance, December 31, 2017	17,882,950	\$ 0.50
Expired	(12,500,000)	0.50
Balance, December 31, 2018	5,382,950	\$ 0.28

As at December 31, 2018, the following warrants were outstanding:

Number of Warrants	Exercise Price (\$)	Expiry Date
750,000	0.40	June 14, 2019
3,382,950	0.21	December 13, 2019
1,250,000	0.40	December 13, 2019

The agent's warrants issued and the amended warrants issued to replace the previously outstanding stock options were valued using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2017
Risk free interest rate	0%
Expected life of warrants	1.5 - 2 Years
Expected dividend yield	Nil
Expected stock price volatility	80%

**11. NON-CONTROLLING INTEREST**

On June 30, 2017, the Company acquired a 60% interest in Ballinalack (Note 4) and on September 8, 2017 the Company acquired a 76.56% interest in TILZ (Note 5). Set out below is the summary financial information for Ballinalack and TILZ, the subsidiaries for which the Company is subject to a material non-controlling interest.

	Ballinalack Resources Limited	TILZ Minerals Ltd.	Total
Non-controlling interest, January 1, 2017	\$ –	\$ –	\$ –
Acquisition of interest	2,433,333	658,255	3,091,588
Share of loss	(37,036)	(6,733)	(43,769)
<b>Non-controlling interest, December 31, 2017</b>	<b>2,396,297</b>	<b>651,522</b>	<b>3,047,819</b>
Share of loss	(212,397)	(107,193)	(319,590)
Contribution from non-controlling interest	249,808	195,275	445,083
<b>Non-controlling interest, December 31, 2018</b>	<b>\$ 2,433,708</b>	<b>\$ 739,604</b>	<b>\$ 3,173,312</b>

The following table presents the non-controlling interest as at December 31, 2017 and 2018. The information below is before inter-company eliminations.

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**11. NON-CONTROLLING INTEREST, CONTINUED**

<b>As at December 31, 2017</b>	<b>Ballinalack Resources Limited</b>	<b>TILZ Minerals Ltd.</b>	<b>Total</b>
Non-controlling interest percentage	40%	23.44%	
<b>Assets</b>			
Current	\$ 15,786	\$ 7,171	\$ 22,957
Non-current	6,086,296	2,811,525	8,897,821
	\$ 6,102,082	\$ 2,818,696	\$ 8,920,778
<b>Liabilities</b>			
Current	\$ 111,339	\$ 39,165	\$ 150,504
	\$ 111,339	\$ 39,165	\$ 150,504
<b>Net Assets</b>	<b>\$ 5,990,743</b>	<b>\$ 2,779,531</b>	<b>\$ 8,770,274</b>
<b>Non-controlling interest</b>	<b>\$ 2,396,297</b>	<b>\$ 651,522</b>	<b>\$ 3,047,819</b>

<b>As at December 31, 2018</b>	<b>Ballinalack Resources Limited</b>	<b>TILZ Minerals Ltd.</b>	<b>Total</b>
Non-controlling interest percentage	40%	23.44%	
<b>Assets</b>			
Current	\$ 76,419	\$ 559,639	\$ 636,058
Non-current	6,086,296	2,811,525	8,897,821
	6,162,715	3,371,164	9,533,879
<b>Liabilities</b>			
Current	95,483	227,273	322,756
	95,483	227,273	322,756
<b>Net Assets</b>	<b>\$ 6,067,232</b>	<b>\$ 3,143,891</b>	<b>\$ 9,211,123</b>
<b>Non-controlling interest</b>	<b>\$ 2,433,708</b>	<b>\$ 739,604</b>	<b>\$ 3,173,312</b>

The following table presents the loss and comprehensive loss attributable to non-controlling interest for the year ended December 31, 2018:

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
<b>Loss and comprehensive loss for the year</b>	<b>\$ 3,592,348</b>	<b>\$ 2,452,037</b>
<b>Loss attributable to non-controlling interest</b>		
Ballinalack Resources Limited	212,397	37,036
TILZ Minerals Ltd.	107,193	6,733
	\$ 319,590	\$ 43,769

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### **12. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. The Company monitors its adjusted capital which comprises all components of equity. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. No changes were made to the Company's capital management practices during the year ended December 31, 2018.

### **13. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at December 31, 2018 the Company had working capital of \$1,549,512. Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

#### *Foreign exchange risk*

The Company's functional currency is the Canadian dollar. There is a foreign exchange risk to the Company as its exploration and evaluation property interests and resulting future commitments are located in Ireland. The Euro translation rate has experienced volatility over the last several years as a result of monetary policies adopted by the European Central Bank. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company has a policy of not engaging in hedging activities to address this foreign currency risk. At December 31, 2018, the Company had Euro denominated current assets of €900,360 and Euro denominated current liabilities of €224,408. Accordingly, a 10% change in the foreign exchange rate would result in a \$105,536 credit or charge to operations.

#### *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 Company is currently not exposed to any interest rate risk as cash is held in a non-interest bearing account and the Company does not hold any interest bearing liabilities.

#### *Commodity price risk*

While the value of the Company's exploration and evaluation assets is related to the price of zinc and other minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks with respect to its operational activities. Zinc and other mineral prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, the perception of market participants about the price and future price prospects for zinc, changes in manufacturing and construction activity as well as other industrial demands, levels of worldwide production, and forward sales by producers and speculators.

#### *Fair value*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:



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### 13. FINANCIAL RISK MANAGEMENT, CONTINUED

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The fair value of the Company's other receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

### 14. RELATED PARTY BALANCES AND TRANSACTIONS

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Their remuneration includes the following:

<b>Year Ended December 31</b>	<b>2018</b>	<b>2017</b>
Salaries and benefits	\$ 644,493	\$ 117,815
Management fees	114,153	216,944
Professional fees	21,100	68,370
Share-based payments	86,117	23,299
Advisory fee – Ballinalack transaction (Note 4)	–	150,000
Share issuance costs (Note 10)	–	150,000
<b>Total</b>	<b>\$ 865,863</b>	<b>\$ 726,428</b>

For the year ended December 31, 2018, \$115,151 (2017 - \$76,002) of salaries and benefits were recorded in exploration and evaluation expense. At December 31, 2018, accounts payable and accrued liabilities include \$nil (2017 - \$109,164) payable to key management personnel of the Company.

The Company entered into an advisory agreement with Highland Capital Advisors Inc. ("HCA"), a company controlled by a former director of the Company. In conjunction with this agreement the Company was required to issue 500,000 shares contingent on HCA directly originating a minimum of €500,000 in equity funding for the Company, cumulatively within a three-year period from November 10th, 2015. HCA would also earn a second tranche of 500,000 shares if the Company concluded a significant strategic transaction, including merger and/or major asset acquisition, which arose directly from services provided by HCA.

During the year ended December 31, 2017, HCA directly originated the minimum equity funding and assisted in the closing of a significant strategic transaction (Note 4). The Company issued 1,000,000 common shares to HCA of which 500,000 was recorded as share issuance costs and the remaining 500,000 as an advisory fee related to the acquisition of Ballinalack. Each tranche of the shares has been valued at \$150,000 using the share price of the financing completed by the Company during that period. On October 6, 2017 the advisory agreement with HCA was terminated. No investment bonus payments were made or are payable under the agreement.

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**15. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

<b>For the year ended December 31,</b>	<b>2018</b>	<b>2017</b>
Loss before income taxes	(\$3,678,117)	(\$2,452,037)
Statutory tax rate	27%	26%
Income tax recovery	(993,000)	(637,000)
Change in statutory, foreign tax, foreign exchange rates and other	(172,000)	–
Permanent difference	114,000	122,000
Adjustment to prior years provision versus statutory tax returns	103,000	–
Share issuance costs	–	(126,000)
Change in unrecognized deductible temporary differences	948,000	641,000
<b>Total income tax expense (recovery)</b>	<b>\$ –</b>	<b>\$ –</b>

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

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:

<b>As at December 31,</b>	<b>2018</b>	<b>2017</b>
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 172,000	–
Equipment	4,000	\$ 2,000
Share issuance costs	95,000	105,000
Non-capital losses	1,454,000	670,000
	1,725,000	777,000
Unrecognized deferred tax assets	(1,725,000)	(777,000)
<b>Net deferred tax assets</b>	<b>\$ –</b>	<b>\$ –</b>

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:

	<b>2018</b>	<b>Expiry Dates</b>	<b>2017</b>	<b>Expiry Dates</b>
<b>Temporary Differences</b>				
Equipment	\$ 17,000	No expiry	\$ 8,000	No expiry
Share issuance costs	\$ 351,000	2022	\$ 389,000	2022
Non-capital losses				
Canada	\$ 3,386,000	2036 – 2038	\$ 823,000	2036 – 2037
Ireland	\$ 1,772,000	No expiry	\$ 1,768,000	No expiry

**16. SEGMENT INFORMATION**

Reportable segments are those operations whose operating results are reviewed by the chief executive officer, being the individual at the Company making decisions about resources to be

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**16. SEGMENT INFORMATION, CONTINUED**

allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company undertakes administrative activities in Canada, and is engaged in the acquisition, exploration, and evaluation of certain mineral property interests in Ireland. Accordingly, the Company's operations are in one commercial and two geographic segments. The Company's Equipment (Note 7) and Exploration and Evaluation Assets (Note 8) are held by the Company in Ireland. The remaining assets, including cash and cash equivalents, prepaids and receivables, reside in both of the Company's two geographic locations. The Company is not exposed to significant operating risks as a consequence of the concentration of its assets in Ireland.

**17. SUBSEQUENT EVENTS**

On April 3, 2019, the Company closed a non-brokered private placement, issuing 3,348,965 units ("Units") at a subscription price of \$0.12 per Unit, for total proceeds of \$401,876. Each Unit consists of one common share and one half non-transferrable common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at \$0.24 per share for two years from the date of issue.