# Group Eleven Resources Corp.

Consolidated Financial Statements

December 31, 2017

Expressed in Canadian Dollars

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Group Eleven Resources Corp.

We have audited the accompanying consolidated financial statements of Group Eleven Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and January 1, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Group Eleven Resources Corp. as at December 31, 2017 and 2016 and January 1, 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada | Chartered Professional Accountants

April 23, 2018



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**GROUP ELEVEN RESOURCES CORP.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars, unless otherwise stated)
As at

| | December 31, 2017 | December 31, 2016 *Restated – Note 17* | January 1, 2016 *Restated – Note 17* |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash | $ 5,050,079 | $ 1,702,726 | $ 98,872 |
| Prepaid expenses | 82,642 | 2,827 | 515 |
| Other receivables (Note 6) | 153,213 | 12,771 | – |
| Total Current Assets | 5,285,934 | 1,718,324 | 99,387 |
| Non-Current Assets | | | |
| Equipment (Note 7) | 10,912 | 12,874 | 5,681 |
| Exploration and evaluation assets (Note 8) | 8,897,821 | – | – |
| **Total Assets** | $ **14,194,667** | $ **1,731,198** | $ **105,068** |
| **Liabilities and Equity** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities (Note 9) | $ 641,187 | $ 203,271 | $ 19,584 |
| Total Liabilities | 641,187 | 203,271 | 19,584 |
| Equity | | | |
| Share capital (Note 10) | 13,027,584 | 2,084,011 | 88,972 |
| Reserves (Note 10) | 680,669 | 297,090 | 21,647 |
| Share subscription receivable | – | – | 53,179 |
| Deficit | (3,202,592) | (853,174) | (78,314) |
| Total Shareholders' Equity | 10,505,661 | 1,527,927 | 85,484 |
| Non-controlling interest (Note 11) | 3,047,819 | – | – |
| Total Equity | 13,553,480 | 1,527,927 | 85,484 |
| **Total Liabilities and Equity** | $ **14,194,667** | $ **1,731,198** | $ **105,068** |

**Nature and continuance of operations (Note 1)**
**Commitment (Note 16)**
**Subsequent events (Note 18)**

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

| | 2017 | 2016 |
|---|---|---|
| **Operating expenses** | | |
| Exploration expenditures (Note 8) | $ 616,706 | $ 187,500 |
| Management fees (Note 14) | 216,944 | 77,191 |
| Salaries and benefits (Note 14) | 117,815 | 62,795 |
| Professional fees (Note 14) | 818,343 | 133,464 |
| General and administrative | 288,131 | 32,174 |
| Marketing and investor relations | 48,360 | 2,388 |
| Depreciation (Note 7) | 5,794 | 1,894 |
| Foreign exchange (gain) loss | (55,771) | 2,011 |
| Interest income | (3,576) | – |
| Share-based payments (Note 10 and 14) | 399,291 | 275,443 |
| **Loss and comprehensive loss for the year** | **$ (2,452,037)** | **$ (774,860)** |
| **Loss attributable to:** | | |
| Shareholders | $ (2,408,268) | $ (774,860) |
| Non-controlling interest (Note 11) | (43,769) | – |
| | **$ (2,452,037)** | **$ (774,860)** |
| **Basic and diluted loss per common share attributable to shareholders** | **$ (0.07)** | **$ (0.05)** |
| **Weighted average number of common shares outstanding** | **35,188,801** | **15,447,895** |

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, 2017 and 2016
(Expressed in Canadian Dollars, unless otherwise stated)

| | Share Capital | | | Subscriptions | | Total Shareholders' | Non-controlling | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Reserves | Received | Deficit | Equity | Interest | Equity |
| **Balance, December 31, 2015** *(Restated – Note 17)* | **9,750,000** | **$ 88,972** | **$ 21,647** | **$ 53,179** | **$ (78,314)** | **$ 85,484** | **$ –** | **$ 85,484** |
| Shares issued for private placement | 14,262,754 | 1,995,039 | – | (53,179) | – | 1,941,860 | – | 1,941,860 |
| Incorporation share – GERC | 1 | – | – | – | – | – | – | – |
| Share-based payments | – | – | 275,443 | – | – | 275,443 | – | 275,443 |
| Loss for the year | – | – | – | – | (774,860) | (774,860) | – | (774,860) |
| **Balance, December 31, 2016** *(Restated – Note 17)* | **24,012,755** | **2,084,011** | **297,090** | **–** | **(853,174)** | **1,527,927** | **–** | **1,527,927** |
| 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) |
| **Balance, December 31, 2017** | **59,777,477** | **$ 13,027,584** | **$ 680,669** | **$ –** | **$ (3,202,592)** | **$ 10,505,661** | **$ 3,047,819** | **$ 13,553,480** |

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

| | 2017 | 2016<br>*Restated – Note 17* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (2,452,037) | $ (774,860) |
| Items not affecting cash: | | |
| Depreciation | 5,794 | 1,894 |
| Share-based payments | 399,291 | 275,443 |
| Changes in non-cash working capital items: | | |
| Prepaid expenses | (79,815) | (2,312) |
| Other receivables | (140,442) | (12,771) |
| Accounts payable and accrued liabilities | 431,683 | 183,687 |
| **Net cash used in operating activities** | (1,835,526) | (328,919) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Expenditures on exploration and evaluation assets | (4,650,000) | – |
| Purchase of equipment | (3,832) | (9,087) |
| **Net cash used in investing activities** | (4,653,832) | (9,087) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds from shares issuances | 9,663,649 | 1,941,860 |
| Proceeds from exercise of stock options | 173,062 | – |
| **Net cash provided by financing activities** | 9,836,711 | 1,941,860 |
| **Change in cash** | 3,347,353 | 1,603,854 |
| **Cash, beginning of the year** | 1,702,726 | 98,872 |
| **Cash, end of the year** | $ 5,050,079 | $ 1,702,726 |
| **Supplemental Cash Flow Information:** | | |
| 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.

## 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 completed an initial public offering ("IPO") on December 14, 2017 and the Company's common shares were listed on the TSX Venture Exchange ("TSX-V") under the symbol ZNG.

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 continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to fund future exploration and development of economically recoverable reserves or potential business acquisitions, securing and maintaining title and beneficial interest in the properties and attaining future profitable production. At December 31, 2017, the Company had cash of $5,050,079 and working capital of $4,644,747. Management believes that the Company has sufficient financial resources to maintain its operations and activities for the upcoming fiscal year.

On November 6, 2015, Group Eleven Mining and Exploration Inc. ("GEME") and its shareholders agreed to exchange their 7,500,000 shares of GEME for 7,449,997 shares of Group Eleven Resources Ltd. ("GERL"). Each of the shareholders of GEME were also the sole shareholders of GERL in the same relative proportions and therefore no effective change of control of the entities occurred. On December 23, 2016, GERL and its shareholders entered into a share exchange agreement with GERC whereby the shareholders of GERL exchanged their 24,012,754 shares of GERL for 24,012,754 shares of GERC. The shareholders of GEME became the sole shareholders of GERL and therefore no effective change of control of the entities occurred. These transactions involve entities under common control and are accounted for under the predecessor value method whereby the acquired assets and liabilities are recorded at their carrying values and the comparative periods reflect the combinations as if they had taken place at the beginning of the earliest comparative period presented.

## 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 23, 2018, the Board of Directors of the Company approved these consolidated financial statements for the years ended December 31, 2017 and 2016.

*(b) Basis of Consolidation*

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, GERL and 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

*(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 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*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Financial assets and liabilities at fair value through profit or loss: This category comprises financial assets or liabilities acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Derivatives are also included in this category unless they are designated as hedges.

- Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

- Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

- Available-for-Sale Financial Assets (“AFS”): Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

- Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Company classified cash at fair value through profit or loss, other receivables as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

*(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

Depreciation expense of assets used in exploration are capitalized to deferred 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, geological studies, drilling costs, payments made to contractors and depreciation of plant and 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

During the year ended December 31, 2017, on a retroactive basis, the Company changed its accounting policy relating to exploration and evaluation expenditures (note 17).

*(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 orloss.

*(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 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

*(k) 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.

*(l) 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.

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.

*(m) 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.

*(n) 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

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

**IFRS 9 Financial Instruments ("IFRS 9")** was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has analyzed the impact of adopting IFRS 9 and anticipates that there will be no material changes as a result of adopting this new standard.

(Expressed in Canadian Dollars, unless otherwise stated)

## 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 Nonfemet 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:

| | | |
|---|---|---|
| **Purchase Price** | | |
| Cash | $ | 2,500,000 |
| Common shares issued (3,333,333 shares) | | 1,000,000 |
| Advisory fee (Note 16) | | 150,000 |
| | **$** | **3,650,000** |
| **Net Assets Acquired** | | |
| Current assets, net of current liabilities | $ | (2,963) |
| Exploration and evaluation assets | | 6,086,296 |
| Non-controlling interest | | (2,433,333) |
| | **$** | **3,650,000** |

## 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.

(Expressed in Canadian Dollars, unless otherwise stated)

## 5. ACQUISITION OF TILZ MINERALS LTD., CONTINUED

The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

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

## 6. OTHER RECEIVABLES

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

## 7. EQUIPMENT

| | Computer Equipment | | Computer Software | | Total | |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, January 1, 2016 | $ | – | $ | 5,681 | $ | 5,681 |
| Additions | | 1,578 | | 7,509 | | 9,087 |
| Balance, December 31, 2016 | | 1,578 | | 13,190 | | 14,768 |
| Additions | | 3,832 | | – | | 3,832 |
| **Balance, December 31, 2017** | **$** | **5,410** | **$** | **13,190** | **$** | **$18,600** |
| **Accumulated Depreciation** | | | | | | |
| Balance, January 1, 2016 | $ | – | $ | – | $ | – |
| Depreciation | | – | | 1,894 | | 1,894 |
| Balance, December 31, 2016 | | – | | 1,894 | | 1,894 |
| Depreciation | | 1,397 | | 4,397 | | 5,794 |
| **Balance, December 31, 2017** | **$** | **1,397** | **$** | **6,291** | **$** | **7,688** |
| **Net Book Value** | | | | | | |
| Balance, December 31, 2016 | $ | 1,578 | $ | 11,296 | $ | 12,874 |
| **Balance, December 31, 2017** | **$** | **4,013** | **$** | **6,899** | **$** | **10,912** |

## 8. EXPLORATION AND EVALUATION ASSETS

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

| | Tralee | Carrickittle and PG West | Silvermines | Ferbane and Kilkenny | Ballinalack | Stone Park | Total |
|---|---|---|---|---|---|---|---|
| **Acquisition costs** | | | | | | | |
| Balance, December 31, 2015 and 2016 | $ – | $ – | $ – | $ – | $ – | $ – | $ – |
| Additions | – | – | – | – | 6,086,296 | 2,811,525 | 8,897,821 |
| Balance, December 31, 2017 | $ – | $ – | $ – | $ – | $ 6,086,296 | $ 2,811,525 | $ 8,897,821 |

(Expressed in Canadian Dollars, unless otherwise stated)

## 8. EXPLORATION AND EVALUATION ASSETS, CONTINUED

| | Cumulative to December 31, 2015 | Expenditures during the year | Cumulative to December 31, 2016 | Expenditures during the year | Cumulative to December 31, 2017 |
|---|---|---|---|---|---|
| **Exploration expenditures** | | | | | |
| License fees | $ 14,550 | $ 63,260 | $ 77,810 | $ 37,908 | $ 115,718 |
| Assays | – | 1,373 | 1,373 | 12,631 | 14,004 |
| Data compilation | – | 36,943 | 36,943 | 169,792 | 206,735 |
| Drilling | – | 53,846 | 53,846 | 141,147 | 194,993 |
| Equipment | – | 1,320 | 1,320 | 100,094 | 101,414 |
| Fieldwork | – | 1,607 | 1,607 | 25,043 | 26,650 |
| Geology consulting | – | 20,621 | 20,621 | 23,054 | 43,675 |
| Geophysical surveys | – | 7,338 | 7,338 | 85,985 | 93,323 |
| Sampling supplies | – | 337 | 337 | 20,567 | 20,904 |
| Technical supervision | – | 855 | 855 | 485 | 1,340 |
| **Total exploration expenditures** | **$ 14,550** | **$ 187,500** | **$ 202,050** | **$ 616,706** | **$ 818,756** |

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 ("Minimum Spending Requirements") 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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

## 8. EXPLORATION AND EVALUATION ASSETS, CONTINUED

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.

*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 June 18, 2018 and December 18, 2023. The Company is committed to spending a total of €258,000 on the property prior to June 18, 2018.

*f) Stonepark*

The Stonepark project was acquired on September 8, 2017 (see note 5) and is comprised of six licenses, expiring between April 27, 2018 and January 30, 2019, 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 LIABILITES

| December 31 | 2017 | 2016 |
|---|---|---|
| Accounts payable | $ 537,919 | $ 170,832 |
| Accrued liabilities | 103,268 | 32,439 |
| **Accounts payable and accrued liabilities** | **$ 641,187** | **$ 203,271** |

## 10. SHARE CAPITAL

*a) Share capital*

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

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

On October 1, 2015 the Board of GEME approved the exchange of 7,500 outstanding GEME shares for 7,500,000 shares. On November 6, 2015 the Board resolved to exchange the 7,500,000 shares outstanding in GEME with 7,499,997 shares of GERL and obtained the necessary shareholder approvals.

On December 31, 2015, 2,250,000 common shares were issued at a cash price of $0.03 (€.02 equivalent) per share for gross proceeds of $67,631.

During the year ended December 31, 2016, the Company issued the following shares while operating as GERL:

- On February 3, 2016, 200,000 common shares were issued at a cash price of $0.08 (€.05 equivalent) per share for gross proceeds of $15,304.
- From March 1 to November 1, 2016, 7,238,244 common shares were issued at a cash price of $0.07 (€.05 equivalent) per share for gross proceeds of $525,855.
- On November 25, 2016 GERC issued 1 common share on incorporation.
- On November 30, 2016, 6,824,510 common shares were issued at a cash price of $0.21 (€.15 equivalent) per share for gross proceeds of $1,453,880.

**10. SHARE CAPITAL, CONTINUED**

On December 23, 2016 the Board of GERC entered into and completed a share exchange agreement with GERL pursuant to which the 24,012,754 common shares issued and outstanding for GERL were exchanged for common shares of GERC on a one-for-one basis. The Board also entered into an option exchange agreement pursuant to which each stock option then issued and outstanding in GERL was exchanged for a stock option for the purchase of an equivalent amount of common shares in GERC.

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 (€.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 and 16).
- On December 14, 2017, the Company issued 12,500,000 units pursuant to an 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 agents 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.

*b) Escrowed Shares*

As a condition to the completion of the IPO, 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 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 are subject to a four month hold period expiring 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.

(Expressed in Canadian Dollars, unless otherwise stated)

## 10. SHARE CAPITAL, CONTINUED

As at December 31, 2018, 20,242,711 common shares were held in escrow and will be released pursuant to the schedule below:

| Date | Percent | Amount |
|---|---|---|
| January 23, 2018 | 10% | 2,030,941 |
| June 13, 2018 | 15% | 3,046,411 |
| December 13, 2018 | 15% | 3,046,412 |
| June 13, 2019 | 15% | 3,046,412 |
| December 13, 2018 | 15% | 3,024,712 |
| June 13, 2020 | 15% | 3,023,912 |
| December 13, 2020 | 15% | 3,023,911 |
| **Total** | | **20,242,711** |

In addition to the escrow provisions imposed by the TSX-V above, as a condition to the completion of the IPO, MAG's shareholdings in the Company (9,471,208 common shares) are subject to a lock-up whereby it shall not sell or otherwise dispose of its holdings in the Company for a period of 6 months, other than in limited circumstances.

*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, 2017 was 2,050,000 (2016 – 3,582,950). Total share-based payments expense recognized for options granted and vested during the year was $268,465 (2016 - $275,443). In connection with the 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 (2016 - $nil).

(Expressed in Canadian Dollars, unless otherwise stated)

## 10. SHARE CAPITAL, CONTINUED

Stock option transactions are summarized as follows.

| | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2015 | 2,300,000 | $ 0.03 |
| Granted | 3,582,950 | 0.22 |
| 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 | – | $ – |

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

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Risk free interest rate | 0% | 0% |
| Expected life of options | 1 – 2 Years | 2 Years |
| Expected dividend yield | Nil | Nil |
| Expected stock price volatility | 51 – 65% | 62 – 63% |

*d) Warrants*

Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2015 and 2016 | – | $ – |
| Granted | 13,250,000 | 0.50 |
| Exchanged from options | 4,632,950 | – |
| Balance, December 31, 2017 | 17,882,950 | $ 0.50 |

As at December 31, 2017, the following warrants were outstanding:

| Number of Warrants | Exercise Price ($) | Expiry Date |
|---|---|---|
| 12,500,000 | 0.60 | December 13, 2018 |
| 750,000 | 0.40 | June 14, 2019 |
| 3,382,950 | 0.21 | December 13, 2019 |
| 1,250,000 | 0.40 | December 13, 2019 |

The agents 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% |

(Expressed in Canadian Dollars, unless otherwise stated)

## 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.

| **As at December 31, 2017** | **Ballinalack Resources Limited** | **TILZ Minerals Ltd.** | **Total** |
|---|---|---|---|
| Non-controlling interest, beginning of the year | $ – | $ – | $ – |
| Acquisition of interest | 2,433,333 | 658,255 | 3,091,588 |
| Share of loss | (37,036) | (6,733) | (43,769) |
| **Non-controlling interest, end of the year** | $ 2,396,297 | $ 651,522 | $ 3,047,819 |

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

| **As at December 31, 2017** | **Ballinalack Resources Limited** | **TILZ Minerals Ltd.** | **Total** |
|---|---|---|---|
| Non-controlling interest percentage | 40% | 23.44% | |
| **Assets** | | | |
| 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 |
| **Liabilities** | | | |
| Current | $ 111,339 | $ 39,165 | $ 150,504 |
| | $ 111,339 | $ 39,165 | $ 150,504 |
| **Net Assets** | $ 5,990,743 | $ 2,779,531 | $ 8,770,274 |
| **Non-controlling interest** | $ 2,396,297 | $ 651,522 | $ 3,047,819 |

The following table presents the loss and comprehensive loss attributable to non-controlling interest for the year ended December 31, 2017:

| | **Year ended December 31, 2017** |
|---|---|
| **Loss and comprehensive loss for the year** | **$ 2,452,037** |
| **Loss attributable to non-controlling interest** | |
| Ballinalack Resources Limited | 37,036 |
| TILZ Minerals Ltd. | 6,733 |
| | $ 43,769 |

## 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, 2017.

## 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, 2017 the Company had working capital of $4,644,747. 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, 2017, the Company had Euro denominated current assets of €306,580. At December 31, 2017, the Company had Euro denominated current liabilities of €154,664. Accordingly, a 10% change in the foreign exchange rate would result in a $22,867 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:

(Expressed in Canadian Dollars, unless otherwise stated)

## 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:

| Year Ended December 31 | 2017 | 2016 |
|---|---|---|
| Management fees | $ 216,944 | $ 77,191 |
| Salaries and benefits | 117,815 | 62,795 |
| Professional fees | 68,370 | 32,252 |
| Capitalized to exploration and evaluation assets | 76,002 | 38,130 |
| Advisory fee – Ballinalack transaction (Note 4) | 150,000 | – |
| Share issuance costs (Note 10 and 16) | 150,000 | – |
| Share-based payments | 23,299 | 3,592 |
| **Total** | **$ 802,430** | **$ 213,960** |

At December 31, 2017, accounts payable and accrued liabilities include $109,164 (December 31, 2016 – $40,470) payable to key management personnel of the Company.

## 15. INCOME TAXES

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

| For the year ended December 31, | 2017 | 2016 |
|---|---|---|
| Loss before income taxes | ($2,452,037) | ($774,860) |
| Statutory tax rate | 26% | 25% |
| Income tax recovery | (637,000) | (194,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | – | 69,000 |
| Permanent difference | 122,000 | (3,000) |
| Share issuance costs | (126,000) | – |
| Change in unrecognized deductible temporary differences | 641,000 | 128,000 |
| **Total income tax expense (recovery)** | **$ –** | **$ –** |

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%.

(Expressed in Canadian Dollars, unless otherwise stated)

## 15. INCOME TAXES, CONTINUED

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:

| As at December 31, | 2017 | 2016 |
|---|---|---|
| Deferred tax assets (liabilities) | | |
| Equipment | $ 2,000 | $ – |
| Share issuance costs | 105,000 | – |
| Non-capital losses | 670,000 | 136,000 |
| | 777,000 | 136,000 |
| Unrecognized deferred tax assets | (777,000) | (136,000) |
| **Net deferred tax assets** | **$ –** | **$ –** |

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:

| | 2017 | Expiry Dates | 2016 | Expiry Dates |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Equipment | $ 8,000 | No expiry | $ – | NA |
| Share issuance costs | $ 389,000 | 2022 | $ – | NA |
| Non-capital losses | | | | |
| Canada | $ 823,000 | 2036 – 2037 | $ – | NA |
| Ireland | $ 1,768,000 | No expiry | $ 543,000 | No Expiry |

## 16. COMMITMENT

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 will 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 will earn a second tranche of 500,000 shares if the Company concludes a significant strategic transaction, including merger and/or major asset acquisition, which arises 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 has been 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 have 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.

## 17. CHANGE IN ACCOUNTING POLICY

The Company has voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures. In prior years, the Company's policy was to capitalize all costs directly related to the acquisition, exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company has changed this accounting policy to expense exploration and evaluation expenditures as incurred, effective with the presentation of these financial statements on a retrospective basis. Acquisition costs will be capitalized. The Company has determined that this change in accounting policy enhances the reliability and relevance of the financial statements for users.

(Expressed in Canadian Dollars, unless otherwise stated)

**17. CHANGE IN ACCOUNTING POLICY, CONTINUED**

The accounting policies in note 2 have been applied in the financial statements for year ended December 31, 2017, the comparative information for the year ended December 31, 2016, and the preparation of an opening statement of financial position on January 1, 2016.

In preparing its opening statement of financial position, the Company has adjusted amounts reported previously in the financial statements. A reconciliation of how the transition from the amounts previously reported has affected the Company's financial position, financial performance and cash flows is set out below.

| Consolidated statement of financial position as at January 1, 2016 | As Previously Reported | Effect of Change in Accounting Policy | As Restated Under New Accounting Policy |
|---|---|---|---|
| **Non-current assets** | | | |
| Exploration and evaluation assets | $ 14,521 | $ (14,521) | $ – |
| **Shareholders' equity** | | | |
| Deficit | $ 63,793 | $ 14,521 | $ 78,314 |

Exploration and evaluation assets decreased by $14,521 due to the change in accounting policy.

| Consolidated statement of financial position as at December 31, 2016 | As Previously Reported | Effect of Change in Accounting Policy | As Restated Under New Accounting Policy |
|---|---|---|---|
| **Non-current assets** | | | |
| Exploration and evaluation assets | $ 200,106 | $ (200,106) | $ – |
| **Shareholders' equity** | | | |
| Deficit | $ 653,068 | $ 200,106 | $ 853,174 |

Exploration and evaluation assets decreased by $200,106, representing $187,500 of net exploration and evaluation expenditures previously capitalized in 2016, $14,521 capitalized prior to 2015, which have been charged to deficit, and a $1,915 reduction in foreign exchange loss.

| Consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 | As Previously Reported | Effect of Change in Accounting Policy | As Restated Under New Accounting Policy |
|---|---|---|---|
| **Operating expenses** | | | |
| Exploration expense | $ – | $ 187,500 | $ 187,500 |
| Foreign exchange loss | 3,926 | (1,915) | 2,011 |
| Loss and comprehensive loss for the year | $ 589,275 | $ 185,585 | $ 774,860 |
| Basic and diluted loss per common share | $ (0.04) | | $ (0.05) |

Exploration expense increased by $187,500, previously capitalized to exploration and evaluation assets, and foreign exchange loss decreased by $1,915, for a total increase to net and comprehensive loss of $185,585.

(Expressed in Canadian Dollars, unless otherwise stated)

## 17. CHANGE IN ACCOUNTING POLICY, CONTINUED

The change in the accounting policy had no effect on the Company's statement of changes in equity, other than the changes to deficit, as already shown and described above. Accordingly, no separate statement of changes in equity is shown.

| **Consolidated statement of cash flows for the year ended December 31, 2016** | **As Previously Reported** | **Effect of Change in Accounting Policy** | **As Restated Under New Accounting Policy** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | $ 589,275 | $ 185,585 | $ 774,860 |
| Changes in non-cash working capital items: | | | |
| Accounts payable and accrued liabilities | 131,644 | 52,043 | 183,687 |
| **Net cash used in operating activities** | **195,377** | **133,542** | **328,919** |
| **Cash flows from investing activities** | | | |
| Exploration and evaluation assets | 133,342 | (133,342) | – |
| **Net cash used in investing activities** | **142,629** | **(133,342)** | **9,087** |
| **Change in cash, during the year** | **$ 1,603,854** | $ – | **$ 1,603,854** |

Net cash used in operating activities increased by $133,542 as net loss increased $187,500 for the amounts previously capitalized as exploration and evaluation assets, offset by a $1,915 decrease in foreign exchange loss. Also, accounts payable and accrued liabilities increased by $52,043 as these amounts had previously been capitalized to exploration and evaluation assets.

Net cash used in investing activities decreased by $133,342 as the amounts previously capitalized to exploration and evaluation assets were expensed.

## 18. SUBSEQUENT EVENTS

a. On February 19, 2018, the Company granted 300,000 stock options to directors of the Company with an exercise price of $0.40 and a term of five years.

b. On March 13, 2018, the Company granted 30,000 stock options to employees of the Company with an exercise price of $0.40 and a term of five years.